Allied powers (1919-) Reparation commission.

I.I.9.4140 DOC. 260

Documents issued by the TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 19, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS ON JUNE 30, 1927.

(see DOC. 256).

The following is the comparison between the balance sheet of the Rentenbank as on June 30, 1927 and the balance sheet as on May 31, 1927 :

	Balance sheet of June 31, 1927 (in Rent.M.)	Difference as compared with that of May 31, 1927. (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on May 31,1927 Rent.M. 1 699 844 000 " " June 30,1927 " 1 699 844 000		
Loan to the Reich	867 374 948.61	- 9 191 465.98
Outstanding credits	238 444 861.--	- 30 000 000.--
Other "debtors"	7 266 349.97	+ 2 534 950.56
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	70 422 546.67	- 1 156 731.34
Real property of the Bank	300 000.--	-
Office furniture and supplies	10 248.80	+ 328.25
Miscellaneous assets	3 414 652.25	+ 27 885.--
L I A B I L I T I E S		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 063 664 472.--	- 9 191 466.--

T.C. 2. 9/8/30

	Balance sheet of June 31, 1927. (in Rent.M.)	Difference as compared with that of May 31, 1927. (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	-
Rentenbriefe in circulation	156 000.--	-
Profits carried forward	38 638 682.05	-
Reserves	6 171 143.55	+ 26 442.50
Miscellaneous liabilities	3 608.60	- 29 996 952.54

The share of the Rentenbank Kreditanstalt in the profits of the financial year 1926 (RM 30 000 000), which had been provisionally entered under "Miscellaneous liabilities", was handed over to it during June in the form of agricultural bills, which explains the fall in the items "Outstanding credits" and "Miscellaneous liabilities".

Rent.M. 9 191 465.98 were paid during June to the Sinking fund at the Reichsbank, representing payments by persons and concerns subject to the agricultural charge. The items "Loan to the Reich" and "Rentenbank notes in circulation" are correspondingly reduced.

Since the coming into force of the Law (of October 11, 1924) on the Liquidation of Rentenbank notes the following amounts have been paid in to the Sinking Fund at the Reichsbank:

Rentenmarks	182 625 051	in virtue of § 7a of the Law
"	150 000 000	" " " § 7b " " "
"	71 999 338	" " " § 7c " " "
"	611 889 722	" " " § 11 " " "
Total	1 016 514 111	Rentenmarks

Transl. 4677.

I.I.9.321 DOC. 261

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 26, 1927.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR THE MONTH OF JUNE 1927.

(cf. DOC. 257)

The Deutscher Reichsanzeiger No. 154 of July 16 publishes the summary of the tax receipts of the Reich for June 1927.

I. Table One. AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the various categories of taxation for June 1927 as compared with the receipts for the corresponding months of the previous year and of the preceding quarter: June 1926 and March 1927, together with the total receipts for the first quarter of the financial years 1926-1927 and 1927-1928.

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly Average	June 1926	March 1927	June 1927	Total for the first quarter of the financial year	
						1926-27	1927-28
I. Income, Corporation and Turnover Taxes, etc.							
a) recurrent	5 280.0	440.0	263.3	303.4	312.7	959.1	1 227.1
b) non-recurrent	25.0	2.1	2.4	2.2	2.5	14.1	11.6
II. Customs and Taxes on Consumption, etc.							
a) assigned	2 410.0	200.8	163.9	232.5	235.2	461.2	676.2
b) other	35.0	2.9	5.5	3.8	3.5	20.7	10.9
III. Miscellaneous	-	-	0.1	-	-	0.2	-
Total :	7 750.0	645.8	435.2	541.9	553.9	1 455.3	1 925.8

The June receipts show an increase of RM 12 millions as compared with the receipts for March 1927, and of RM 118.7 millions as compared with the receipts for June 1926. The recurrent income, corporation and turnover taxes, etc., have produced 9.3 millions more than in March, and the assigned Customs and Taxes on consumption, etc., 2.7 millions more.

An examination of the effective receipts from the first quarter of the financial years 1926-1927 and 1927- 1928 shows a considerable increase (470.5 millions) in favour of the financial year 1927/28, or approximately 1/3. This increase comes from the recurrent income, corporation and turnover taxes, etc., to the extent of RM 268.0 millions, and from the assigned Customs and Taxes to the extent of RM 215.0 millions. It has moreover been largely anticipated in the 1927-28 budget. The effective receipts for the first quarter are lower than the budget estimates by 11.7 millions, this being due mainly to the falling off of 92.9 millions in the proceeds from the recurrent income, corporation and turnover taxes, etc., since the assigned Customs and Taxes show an increase of 73.7 millions. The deficits in respect of the former taxes are chiefly due to the suppression of the monthly payments on account of the Turnover Tax, which have been replaced by quarterly payments falling due for the first time on July 10. During the first quarter of the present financial year only 146.2 millions were received on account of this Tax, compared with 219.6 millions in the preceding quarter ending March 31, 1927, i.e. a difference of 73.4 millions.

II. Table Two. REVENUES FROM INCOME, CORPORATION AND TURNOVER TAXES, ETC.

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	June 1926	March 1927	June 1927	Total for the first quarter of the financial year 1926-27	Total for the first quarter of the financial year 1927-28
Income Tax: (a) on salaries and wages (amount deducted at source)	1 200.0	100.0	88.8	81.4	108.4	250.8	300.4
(b) on interest and dividends (amount deducted at source)	120.0	10.0	15.0	7.5	14.3	40.4	55.3
(c) general assessment, after above deductions	1 300.0	108.3	20.2	39.5	44.9	178.9	257.4
Together:	2 620.0	218.3	124.0	128.4	167.6	470.1	613.1
Corporation Income Tax	400.0	33.3	7.0	10.5	10.7	54.4	95.5
Tax on real and personal property	470.0	39.2	8.8	29.9	19.7	36.2	116.2
Turnover Tax	900.0	75.0	58.2	60.7	22.5	219.6	146.2
Tax on Bourse transactions	66.0	5.5	2.7	10.0	10.5	10.6	29.2
Transport Tax	325.0	27.1	26.1	22.3	28.9	75.9	82.4
Other Taxes	499.0	41.6	36.5	41.6	52.8	92.3	144.5
Total:	5 280.0	440.0	263.3	303.4	312.7	959.1	1 227.1

The proceeds from the Tax on Salaries and Wages (108.4 millions) again exceeds the average estimated figure of RM 100 millions. They relate to sums deducted at the source on wages paid from May 16 to June 15, that is for 26 working days, making a daily average of 4.2 millions. They indicate an increase over the receipts for May (100.1 millions) which were for 24 working days and gave the slightly lower daily average of 4.1 millions. This advance seems due partly to improvement in the labour market, but also partly to the reduction of

repayments of amounts levied in excess, which influenced the earlier months of the year.

Taxes on interest and dividends, general assessment of income, Corporation Tax and Turnover Tax.

The sums received in respect of these taxes only represent payments in arrears, as the next regular payment (quarterly) is to be made on July 10 and July 15.

Tax on Real and Personal Property.

The June receipts only represent arrears due on the payment of May 15 last.

Tax on Bourse Transactions.

The June receipts (10.5) are still very high, although they show a slight falling off as compared with May (11.0). Receipts for recent months were: April 7.6, March 10.0, February 12.1 millions.

Transport Tax.

The June receipts (28.9 millions) are slightly above the receipts for recent months.

Amongst the "other taxes" with an important yield, the proceeds from the Automobile Tax deserve special attention; they were 18.9 millions in June as compared with 14.1 millions in May and 12.8 in April. This increase appears to be due to "seasonal" influences. The proceeds from the Lottery Tax should also be noted: 5 millions in June as compared with 2.8 in May and 4.3 in April.

A comparison of the aggregate receipts for the first quarters of the financial years 1927-28 and 1926-27 reveal a general and considerable increase. The Turnover Tax is the only exception, for the reason already stated.

III. Table Three. CUSTOMS AND TAXES ON CONSUMPTION, etc. (ASSIGNED):

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	June 1926	March 1927	June 1927	Total for the first quarter of the financial year 1926-27	Total for the first quarter of the financial year 1927-28
Customs	890.0	74.2	63.2	93.6	104.2	166.1	292.6
Tobacco Tax	700.0	58.3	42.4	70.7	58.7	131.0	174.1
Sugar Tax	275.0	22.9	21.2	24.0	23.9	56.7	66.9
Beer Tax	335.0	27.9	22.6	22.3	26.5	64.2	78.5
Spirits Monopoly	210.0	17.5	14.5	21.9	21.9	43.2	64.1
Total:	2 410.0	200.8	163.9	232.5	235.2	461.2	676.2

The totals of the June receipts 235.2 millions correspond closely with the May receipts of RM 234.6 millions.

The Customs (104.2 for June) are in advance of the May receipts (97.4 millions) by 6.8 millions. This increase is due principally to the imports of cereals necessitated by the bad harvest of last year.

The Tobacco Tax (58.7 millions) is almost on a level with the May receipts (61.5 millions), the difference being 2.8 millions.

The Sugar Tax (RM 23.9 millions), the Beer Tax (RM 26.5 millions) and the Spirits Monopoly (RM 21.9 millions) remain approximately at the level of the May receipts (Sugar 23.9, Beer 28.5, Spirits 23.3 million RM).

The receipts from all the assigned taxes for the first quarter of the financial year 1927-28 are considerably in advance of the receipts for the corresponding quarter of the previous year (+RM 215 millions). The increase from Customs is particularly noticeable (+ RM 126.5 millions), and is due

largely to imports of cereals and finished products.

To summarize, the June receipts are satisfactory, as were the receipts for the first quarter of the financial year. The fact that the budget estimates have not been realised to their full amount in the first quarter may be considered to be due principally to the new regulations transferring to July the dates of payments which would previously have been effected in May and June. There is no reason to alter the favourable opinion formed in respect of the May receipts.

M.H.

Transl. 4699.

I.I.9.343 DOC. 262

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 9, 1927.

FINANCES OF THE REICH

POSITION OF THE PUBLIC DEBT OF THE REICH AS AT JUNE 30, 1927.

I. The total figures of the public debt were as follows as at March 31, and June 30, 1927 according to Wirtschaft und Statistik No. 14. The details in regard to the figures for each month of the period are given in the Annex.

As at March 31, 1927 (see Agent General's Report)	RM 4 351.2	millions
As at June 30, 1927	" 4 388.8	"
Increase during this period	" 37.6	"

II. Variations in the different items.

The issues of the 5 per cent Reich Loan 1927 have brought the total up from RM 364.0 millions on March 31, to RM 452.0 millions on June 30, i.e. an increase of RM 88.0 millions.

The debt of the Reich to the Rentenbank has fallen by RM 54.6 millions owing to the payment to the sinking fund, in accordance with the Law, of

15 millions, amount of the quarterly payment of the Reich,
39.6 millions, amount of the interest paid by the owners of the mortgaged land.

The value in RM of the German External Loan 1924 has increased by 4.1 millions as a result of a rise in certain foreign currencies.

The other items remain unchanged.

(signed) M.H.

Annex.

PUBLIC DEBT OF THE REICH

(in millions of RM) *

	March 31, 1927	April 30, 1927	May 31, 1927	June 30, 1927
I. GOVERNMENT BONDS				
Old paper mark debt, revalorised under Law of July 16, 1925 (provisional)	1 742.1	1 742.1	1,742.1	1 742.1
5 per cent loan issued February 1927, under Laws of March 31, 1926 and January 8, 1927 (500 million Reichsmarks nominal)	364.0	440.0	452.0	452.0
Total Government bonds	2 106.1	2 182.1	2 194.1	2 194.1
II. TREASURY BONDS AND BILLS				
Gold loan of 1932, issued under Law of June 4, 1923	1.3	1.3	1.3	1.3
Gold loan of 1935, issued under Law of August 14, 1923	18.9	18.8	18.8	18.8
"K" bonds, issued under Law of July 11, 1923	0.7	0.7	0.7	0.7
Reichsmark bills: short-term Treasury obligations	-	-	-	-
Total Treasury bonds and bills	20.8	20.8	20.8	20.8
III. BANK LOANS				
From Rentenbank, granted under Decree of October 15, 1923	922.0	904.1	876.6	867.4
From Reichsbank	208.4	208.4	208.4	208.4
Total Bank loans	1 130.4	1 112.5	1 085.0	1 075.8

* Differences in the totals are due to the rounding off of the figures.

	March 31, 1927	April 30, 1927	May 31, 1927	June 30, 1927
IV. **MISCELLANEOUS**				
Guarantees given by the Reich chiefly for food supplies during and after the war, mainly in foreign currencies	51.0	51.1	51.1	51.1
"Meliorationskredit" - obligations arising out of credits to agriculturalists	12.0	12.0	12.0	12.0
Loan from the Post Office	110.0	110.0	110.0	110.0
Other obligations	9.7	9.7	9.7	9.7
Total Miscellaneous	182.7	182.8	182.8	182.8
V. **GERMAN EXTERNAL LOAN 1924**				
Series in :				
Dollars	424.0	424.3	424.3	424.3
£ sterling	429.3	429.6	429.7	429.5
Swedish crowns	27.5	27.5	27.5	27.6
Lire	18.6	21.4	22.2	22.2
Swiss francs	11.8	11.8	11.8	11.8
Together	911.2	914.6	915.4	915.3
GRAND TOTAL	4 351.2	4 412.8	4 398.1	4 388.8

Transl. 4743.
DR.

I.I.9.4140 DOC. 263

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 17, 1927.

THE BALANCE SHEET OF THE RENTENBANK AS ON JULY 31, 1927.

(see DOC. 260).

The following is the comparison between the balance sheet of the Rentenbank of July 31, 1927 and the balance sheet of June 30, 1927 :

	Balance sheet of July 31, 1927 (in Rent.M.)	Difference (+ or -) as compared with that of June 30, 1927. (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on June 30, 1927 Rent.M. 1 699 844 000 " " July 31, 1927 " 1 699 844 000		
Loan to the Reich	847 956 889.22	- 19 418 059.39
Outstanding business ("economic") credits	238 444 861.--	-
Other debtors	7 279 190.51	+ 12 840.54
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	71 356 710.60	+ 934 163.93
Real property of the Bank	300 000.--	-
Office furniture and supplies	10 734.80	+ 486.--
Miscellaneous assets	3 386 767.25	- 27 885.--
L I A B I L I T I E S		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 044 246 412.--	- 19 418 060.--

	Balance sheet of July 31, 1927 (in Rent.M.)	Difference (+ or -) as compared with that of June 30, 1927. (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law for the Liquidation of Rentenbank notes	71 999 338.40	-
Rentenbriefe in circulation	156 000.--	-
Reserve on profits	38 638 682.05	-
Reserves	6 171 143.55	-
Miscellaneous liabilities	2 196.10	- 1 412.50

There were paid into the Sinking Fund at the Reichsbank in the course of July a) Rent.M. 4 418 059.39 representing interest payments by the firms and concerns subject to the agricultural charge, and b) Rent.M. 15 000 000 representing the quarterly payment of the Reich due on July 1. The items "Loan to the Reich" and "Rentenbank notes in circulation" show a diminution by the amount of these two payments accordingly.

Since the coming into force of the Law for the Liquidation of Rentenbank notes (October 11,1924) the following sums have been paid into the Sinking Fund at the Reichsbank :

Rentenmarks	187 043 111	under § 7a of the Law
"	165 000 000	" § 7b " " "
"	71 999 338	" § 7c " " "
"	611 889 722	" § 11 " " "
Total	1 035 932 171	

Transl. 4775.

I.I. 9.322 DOC. 264

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 10, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN JUNE 1927.

(cf. DOC.259).

The Ministry of Finance published the statement of receipts and payments of the Reich for June 1927 in the evening of August 9, with a certain amount of delay.

The table is given on identical lines with those for the two previous months (cf. DOC. 258 and 259). The translation of the statement repeating the April and May figures and giving the total for the first quarter of the financial year is given below.

DOC.264

II. STATEMENT OF RECEIPTS AND PAYMENTS OF THE REICH

during April, May and June of the financial year 1927/28.

A. ORDINARY BUDGET	April 1927	May 1927	June 1927	Total
	(in millions of RM)			
I. Brought forward from the financial year 1926 :				
a) to meet outstanding payments of the financial year 1926 (Outstanding payments less outstanding receipts)...348.5				
b) net surplus from the financial year 1926.....199.5	548.0			
II. RECEIPTS :				
(Receipts as estimated in the 1927 Budget : 8,659.0)				
1. Taxes, Customs and dues.....	749.1	622.8	553.9	1,925.8
2. Seigniorage on the coinage.....	0.1	0.4	0.1	0.6
3. Surplus from the Postal Service and Printing Office of the Reich.....	-	-	-	-
4. Dividend on the shares of the German Railway Company owned by the Reich.....	-	-	29.9	29.9
5. Miscellaneous administrative receipts....	7.7	30.6	14.4	52.7
Total receipts.....	756.9	653.8	598.3	2 009.0
III. PAYMENTS :				
(Payments as estimated in the 1927 Budget): 8,659.0)				
1. Transfers of taxes to the Federal States.	203.6	200.4	189.6	593.6
2. Salaries.....	54.4	62.3	58.3	175.0
3. Pensions.....	125.9	123.9	129.3	379.1
4. Social insurance.....	19.2	18.2	22.8	60.2
5. Unemployment relief.....	45.7	21.7	14.8	82.2
6. Army - payments for material.....	22.5	13.3	24.3	60.1
7. Navy - payments for material.....	8.8	9.6	10.5	28.9
8. Communications.....	9.1	10.6	12.1	31.8
9. Public debt : interest and sinking fund..	14.9	0.4	- 0.5	14.8
10. Public debt : revalorised debt.....	3.3	75.2	4.9	83.4
11. Safety police.....	15.7	15.8	15.8	47.3
12. Internal war charges.....	12.7	15.1	15.4	43.2
13. Reparation payments.....	49.8	66.7	66.6	183.1
14. Miscellaneous.....	72.5	96.8	35.4	204.7
Total payments.....	658.1	730.0	599.3	1 987.4
Deficit.....	-	76.2	1.0	-
Surplus.....	98.8			21.6

B. EXTRAORDINARY BUDGET	April 1927	May 1927	June 1927	Total
	(in millions of RM)			
I. Brought forward from the financial year 1926, excess of payments over receipts which has to be met out of the yield from subsequent loans. -	290.0			
II. RECEIPTS : (Receipts estimated in the 1927 Budget..... 9.8 Loans estimated.....466.4 Total estimated receipts...476.2)				
1. Administrative receipts.....	0.6	0.1	-	0.7
2. Yield from the 5 per cent 1927 Loan.	5.4	10.9	68.8	85.1
Total receipts.....	6.0	11.0	68.8	85.8
III. PAYMENTS : (Payments estimated in the 1927 Budget.....476.2 In addition RM 281.6 millions of payments outstanding from the financial year 1926/27, which have to be met together with the 290 millions mentioned above out of the yield of subsequent loans).				
1. Productive unemployment relief.....	0.1	4.9	11.7	16.7
2. Communications.....	7.8	7.2	5.5	20.5
3. Internal war charges.....	7.2	1.1	1.7	10.0
4. Reparation payments.....	1.8	1.8	1.9	5.5
5. Miscellaneous.....	8.2	47.3	30.5	86.0
Total payments.....	25.1	62.3	51.3	138.7
Deficit.....	19.1	51.3	-	52.9
Surplus.....	-	-	17.5	-

B A L A N C E

A. ORDINARY BUDGET :		
1. Brought forward from the financial year 1926.....		548.0
2. Surplus in April - June 1927.....		21.6
		569.6
B. EXTRAORDINARY BUDGET :		
1. Brought forward from the financial year 1926.....	-	290.0
2. Deficit in April - June 1927.....	-	52.9
	-	342.9
Balance.....	+	226.7

REMARKS

1. Of the yield from taxation in June 1927, 52.7 millions were transferred to the Federal States in July.

2. Statement of the Public Debt of the Reich*.

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III. OBSERVATIONS

A. ORDINARY BUDGET.

The receipts and payments for June practically balance, there being a deficit of RM 1 million. By comparison with previous months the June figures show a considerable reduction, both as regards receipts and payments. The reduction in the receipts from taxation (68.9 millions as against May and 195.2 millions as against April) is explained by the absence of any provisional payment throughout June (cf. DOC. 261). RM 29.9 millions were collected in respect of dividends on the shares of the German Railway Company owned by the Reich; (the estimates for this item for the financial year amount to 51.1 millions). As regards payments, several of the items show very definite reductions which will be discussed later.

The first quarter of the financial year 1927/28 closes with a surplus of RM 21.6 millions which - if the transfers to the Federal States effected in July on account of the June taxes (RM 52.7 millions) are taken into account - resolves itself into a deficit of RM 31.1 millions. To arrive at an opinion of the actual position it must be noted that during the first

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* The statement attached to the survey of the receipts and payments merely reproduces some information on certain items of the public debt, details of which have already been given in DOC. 262. For this reason it is not reproduced here.

quarter of the financial year some of the expenditures outstanding from 1926/27 have been settled (Ausgabereste from 1926/27). The sums brought forward from the previous financial year to cover these payments (348.5 millions) together with the net surplus of the financial year 1926/27 (199.5 millions) are still intact. The first quarter of the financial year closes in a satisfactory manner for the ordinary budget.

In so far as the June payments are concerned, there is a considerable reduction as compared with previous months. Transfers to the Federal States vary according to the amount of the taxes collected by the Reich. The sums entered in the statement are of course merely on account. The transfers due are only adjusted in the following month. Taken month by month they amount as follows :

April 304.5, May 165.5, June 176.3, i.e. a total of 646.3 millions for the first quarter of the financial year; the difference of 52.7 millions between this figure and the figure of 593.6 millions given in the statement is only due to be transferred in July.

Payments on account of unemployment relief are considerably less than the previous months (June 14.8 millions, May 21.7, April 45.7). They total RM 82.2 for the first quarter of the financial year. The budget estimates for this item amount to RM 450 millions, which sum includes the 50 millions intended for the formation of a reserve fund as prescribed by the Law on Unemployment Insurance; the proportion falling to each quarter thus amounts to 100 millions. It can therefore be seen that a saving of 17.8 millions has been obtained for the first quarter

of the financial year 1927/28. It may be expected that this improvement on the labour market will continue during the summer months at least.

The item "reparation payments" (66.6 millions) differs very little from the May figure of 66.7 millions, i.e.by 0.1 million. It comprises the following :

	(million RM)
Normal budgetary contribution.....	9.197
Supplementary budgetary contribution.	34.917
Transport Tax.....	22.568
	66.682

The other payments in June remain very similar to those of the two previous months. As compared with the May figures the decline of payments for the revalorised debt deserves attention, the figures being 4.9 millions in June as against 75.2 millions in May; the May figure was abnormal (cf. DOC. 259). The decline in miscellaneous payments should also be noted (35.4. millions in June as against 96.8 millions in May).

B. EXTRAORDINARY BUDGET.

As compared with May, payments under the extraordinary budget have decreased by 11 millions. Payments for productive unemployment relief have increased by 6.8 millions whilst miscellaneous payments have fallen by 16.8 millions. Under the receipts of the extraordinary budget is to be found the amount of RM 68.8 millions for the payments effected in respect of the 5 per cent 1927 loan. The extraordinary budget for June therefore closes with a surplus of 17.5 millions.

The receipts under the extraordinary budget for the first

quarter of the financial year (85.8 millions) are almost exclusively composed of the payments effected in respect of the 1927 loan (85.1 millions). Approximately 38 millions remain to be received from this item before next September, the last date for payment.

The payments under the extraordinary budget during the first quarter amount to RM 138.7 millions and exceed by 19.7 millions the average quarterly estimates of payments (119 millions), although they do not come up to the payments composed of the estimates and the transfers from 1926/27 (RM 189.4 millions).

The total deficit for the first quarter amounts to 52.9 millions to which must be added the deficit of RM 290 millions remaining from the financial year 1926-27. This deficit must be "covered subsequently by loans", but it is at the present moment covered by the surpluses and sums transferred from the ordinary budget.

C. BALANCE AS AT JUNE 30.

The balance of the ordinary and extraordinary budget is as follows :

	March 31 1927	June 30 1927
Ordinary budget	+ 548.0	+ 569.6
Extraordinary budget	- 290.0	- 342.9
Balance	+ 258.0	+ 226.7

If the RM 52.7 millions due to be transferred to the Federal States in June but not paid until July are taken into account, the actual balance on June 30 amounts to RM 174.0 millions,

this being an increase of 29.8 millions over the same actual balance on May 30 (144.2 millions).

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An examination of the ordinary budget at the end of the first quarter of the financial year leaves a good impression. The sums brought forward from the previous financial year (net surplus and amounts to cover the outstanding payments) are still intact.

The extraordinary budget has however to meet the deficit bequeathed to it by the financial year 1926-27 together with the estimated expenditures for the financial year 1927-28. These items have hitherto been met partially out of payments in respect of the 5 per cent 1927 loan, but there only remain approximately 38 millions still to be collected on this account. During the coming months the available funds of the ordinary budget will therefore be drawn upon to a much greater extent.

Aggregate tax-receipts (in millions of RM)	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	July 1926	April 1927	July 1927	Total for the first four months of the financial year	
						1926-27	1927-28
I. Income, Corporation and Turnover Taxes, etc.							
a) recurrent	5 280.0	440.0	472.1	532.0	670.2	1 481.2	1 697.4
b) non-recurrent	25.0	2.1	4.3	7.2	2.6	18.8	14.1
II. Customs and Taxes on Consumption, etc.							
a) assigned	2 410.0	200.8	227.0	206.4	272.0	699.8	948.1
b) other	38.0	2.9	4.6	5.8	3.4	23.2	14.8
III. Miscellaneous	-	-	-	-	-	0.8	-
Total:	7 760.0	645.8	708.0	749.1	948.1	2 143.8	2 674.4

Transl. 4749.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 3, 1927.

FINANCES OF THE REICH.

TAX RECEIPTS OF THE REICH FOR THE MONTH OF JULY,1927.

(cf. DOC. 261)

The Deutscher Reichsanzeiger No. 198 of August 25 publishes the summary of the tax receipts of the Reich for July,1927.

I. AGGREGATE TAX RECEIPTS.

The following table shows receipts from the various categories of taxation for July,1927, as compared with the receipts for the corresponding month of the previous year and of the preceding quarter (July,1926, and April,1927) together with the total receipts for the first four months of the financial years 1926-1927 and 1927-1928.

Aggregate tax receipts (in millions of RM)	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	July 1926	April 1927	July 1927	Total for the first four months of the financial year	
						1926-27	1927-28
I. Income, Corporation and Turnover Taxes, etc.							
a) recurrent	5 280.0	440.0	472.1	532.0	670.2	1 431.2	1 897.4
b) non-recurrent	25.0	2.1	4.3	7.2	2.5	18.5	14.1
II. Customs and Taxes on Consumption, etc.							
a) assigned	2 410.0	200.8	227.0	206.4	272.0	688.2	948.1
b) other	35.0	2.9	4.6	3.5	3.4	25.2	14.3
III. Miscellaneous	-	-	-	-	-	0.2	-
Total:	7 750.0	645.8	708.0	749.1	948.1	2 163.3	2 873.9

The receipts for July are high, as was anticipated. They exceed by 394 millions those of the preceding month, and by 199 millions those of the corresponding month in the preceding quarter (April). They are 240 million R.M.larger than in July,1926. The recurrent income, corporation and turnover taxes, etc. account for 138 millions of the increase over April,1927, while the assigned revenues produced 66 millions more than in April.

The total tax receipts for the four months April-June,1927, are 710 million R.M. (32.8 per cent) larger than in the corresponding period of 1926; the recurrent income corporation and turnover taxes are 466 millions (32.6 per cent) greater and the assigned revenues are 260 millions (37.8 per cent) greater. The remaining comparatively unimportant categories of taxes show slight decreases as compared with the period April-July,1926.

The total receipts for the four-month period are 290 million R.M. more than one-third of the estimated receipts of the whole year. This is in part due to the occurrence during the period of more than a proportionate share of certain exceptional receipts, viz:

a) two quarterly provisional settlements of the income and corporation taxes (April and July);

b) final settlements of these taxes for the year 1926/27 (July);

c) one half-yearly settlement for Customs dues on goods removed from store in official warehouses during the period January-June,1927 (July).

II. REVENUES FROM INCOME, CORPORATION AND TURNOVER TAXES, ETC.

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	July 1926	April 1927	July 1927	Total for the first four months of the financial year 1926-27	Total for the first four months of the financial year 1927-28
Income Tax: (a) on salaries and wages (amount deducted at source)	1 200.0	100.0	93.3	91.9	114.1	344.2	414.4
(b) on interest and dividends (amount deducted at source)	120.0	10.0	10.3	24.2	16.1	50.7	71.4
(c) general assessment, after above deductions	1 300.0	108.3	142.7	152.9	188.0	321.6	445.5
Together:	2 620.0	218.3	246.3	269.0	318.2	716.5	931.3
Corporation Income Tax	400.0	33.3	65.5	72.9	88.0	119.9	183.5
Tax on real and personal property	470.0	39.2	7.1	21.3	11.4	43.4	127.7
Turnover Tax	900.0	75.0	80.7	91.0	168.3	300.2	314.5
Tax on Bourse transactions	66.0	5.5	6.3	7.6	5.3	16.9	34.5
Transport Tax	325.0	27.1	25.4	25.9	32.0	101.3	114.3
Other Taxes	499.0	41.6	40.8	44.3	47.0	133.0	191.6
Total:	5 280.0	440.0	472.1	532.0	670.2	1 431.2	1 897.4

The tax on salaries and wages (114.1 million R.M.) yielded the highest total since November, 1925, when, however, the tax burden on wages was heavier than at present. Since the commencement of the financial year receipts from this tax have shown a continuous upward trend (April 91.9 millions, May 100.1 millions, June 108.4 millions, July 114.1 millions). The July receipts relate to deductions from salaries and wages paid during the month June 16 - July 15,

i.e. 26 working days, and give a daily average yield of 4.4 millions as against 4.2 millions in June and 4.1 millions in May. This rise is due in part to increased employment, in part to higher wages and in part to the diminution in reimbursements effected on account of excess payments in the previous year. These reimbursements which are appreciable during the early part of the calendar year diminish from month to month and are almost negligible in the second half-year. The official figures comprise only the net yield of the tax, that is after deduction of the reimbursements made.

The general assessment of income tax and the corporation income tax produced 188 million R.M. and 88 millions respectively. These large totals are due to the quarterly provisional instalment which fell due on July 15. The figures are also swelled by final payments in respect of the preceding tax year. The July yield of the income tax (general assessment) was 35.1 million R.M. (23 per cent) and that of the corporation income tax 15.1 millions (21 per cent) greater than in April, 1927. The corresponding increases over July, 1926, were 45.3 millions (32 per cent) and 22.5 millions (34 per cent) respectively.

The tax on real and personal property, for which no regular payment was due, produced 11.4 million R.M. or nearly 10 millions less than last April.

The turnover tax produced 168.3 million R.M. The receipts in July,1927, relate for the most part to business turnover effected in April, May and June. The wide fluctuations in the monthly receipts since the commencement of the present financial year are due to the replacement as from April 1 of the system of monthly payments by one of quarterly payments. (See Doc.240). The receipts for July, therefore, are not comparable with those of previous months. The receipts for the three months May - July (223.6 million R.M.) may however be compared with those of the preceding three months' period (214.4 millions) and reveal an increase of 4 per cent.

The volume of business turnover calculated on the basis of the receipts from this tax, account being taken of the related business period and of variations in the rate of the tax, shows a marked increase over the corresponding period in the three previous years.

Volume of business

(in millions of RM.)

	Year 1924	Per cent of 1925 Quarterly average	Year 1926	Per cent of 1925 Quarterly average
1st Quarter	15 121	57.3	23 999	90.9
2nd "	16 892	64.0	26 758	101.4
3rd "	19 265	73.0	27 973	106.0
4th "	24 722	93.7	30 836	116.8
	Year 1925		Year 1927	
1st Quarter	25 112	95.1	28 586	108.3
2nd "	25 294	95.8	29 809	112.9
3rd "	25 962	98.4		
4th "	29 202	110.6		

Tax on Bourse transactions. The receipts of this tax in July (5.3 millions RM.) were about one-half of the receipts in May and June and were slightly below one-twelfth of the estimates for the year. This indicates an appreciable falling-off in the volume of stock exchange transactions in June to which month the receipts for July relate.

The transport tax receipts in July amounted to 32.0 million RM., an increase of 3.1 millions over June which is entirely accounted for by passenger traffic. In July,1926, the receipts from this tax produced 25.4 million RM.

Of the "other taxes" amounting to 47.0 million RM., 17.7 millions were produced by the Automobile tax (June 18.9 millions, May 14.1, April 12.8) and 6.9 millions by the Race-bet and lottery taxes (June 8.9, May 7.0, April 7.5). The receipts from the Successions tax (5.4 millions) continued at about the level of the three preceding months, which is below one-twelfth of the estimates for the whole year (8.3 million RM.).

III. CUSTOMS AND TAXES ON CONSUMPTION, etc. (ASSIGNED) :

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	July 1926	April 1927	July 1927	Total for the first four months of the financial year	
						1926-27	1927-28
Customs	890.0	74.2	113.0	90.9	146.6	279.1	439.2
Tobacco Tax	700.0	58.3	49.4	53.9	63.5	180.4	237.6
Sugar Tax	275.0	22.9	25.2	19.2	16.9	81.9	83.8
Beer Tax	335.0	27.9	24.7	23.5	30.5	88.9	109.0
Spirits Monopoly	210.0	17.5	14.7	18.9	14.4	57.9	78.5
Total :	2 410.0	200.8	227.0	206.4	272.0	688.2	948.1

The July total (272 million RM.) is the highest yet recorded. It is 45 millions more than a year ago and 65.6 millions more than that of April 1927.

The Customs yield has risen to 146.6 million RM., a record figure which is 33.6 millions more than a year ago, 55.7 millions more than April, 1927, and 42.4 millions more than June, 1927. The increase is due in part to the higher level of imports, which has risen 40-50 per cent as compared with a year ago. Another cause is the inclusion in the month of July of

settlements in respect of goods removed from store in Government warehouses during the six months January-June.

The tobacco tax produced 63.5 million RM. and the beer tax 30.5 millions, both more than in June. The sugar tax (16.9 millions) and the Spirits Monopoly (14.4 millions) produced less than in June; 7 millions in the case of the sugar tax as a result of delayed payments, and 7.5 millions in the case of the Spirits Monopoly. But the yield of the monopoly was abnormally high in May and June as a result of larger sales in anticipation of the 18 per cent rise in rates on June 1.

The assigned revenues for the four months April-July 1927 amounted to 948.1 million RM., which is 145 millions more than one-third of the estimated receipts for the whole year. This is almost entirely accounted for by the Customs which in the four months have yielded 142.5 millions more than one-third of the estimates for the year.

* * *

The surplus in the four months' period was due largely to the fact that it included more than its proportion of provisional quarterly and half-yearly payments and also to the large volume of imports. One must, therefore, await the returns of the next few months before coming to an opinion as to whether the estimates for the year are likely to be exceeded or not.

I.G.

I.I. 9.4140 DOC. 266

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 13, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS ON AUGUST 31, 1927.

(see DOC. 263)

The following is the comparison between the balance sheet of the Rentenbank of August 31, 1927 and the balance sheet of July 31, 1927 :

	Balance sheet of August 31,1927 (in Rent.M.)	Difference (+ or -) as compared with that of July 31, 1927. (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on July 31, 1927 Rent.M. 1 699 844 000 " " August 31, 1927 " 1 699 844 000		
Loan to the Reich	845 930 491.75	- 2 026 397.47
Outstanding business ("economic") credits	238 444 861.--	-
Other debtors	4 852 023.68	- 2 427 166.83
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	74 961 960.09	+ 3 605 249.49
Real property of the Bank	300 000.--	-
Office furniture and supplies	11 714.45	+ 979.65
Miscellaneous assets	3 386 767.25	-
L I A B I L I T I E S		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 042 220 015.--	- 2 026 397.--

	Balance sheet of August 31,1927 (in Rent.M.)	Difference (+ or -) as compared with that of July 31, 1927. (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law for the Liquidation of Rentenbank notes	71 999 338.40	-
Rentenbriefe in circulation	156 000.---	-
Reserve on profits	38 638 682.05	-
Reserves	6 170 590.18	- 553.37
Miscellaneous liabilities	3 259.23	+ 1 063.13

There were paid into the Sinking Fund at the Reichsbank in the course of ~~July~~ August Rent.M. 2 026 397.47 representing interest payments by the firms and concerns subject to the agricultural charge . The items "Loan to the Reich" and "Rentenbank notes in circulation" show a diminution by the amount of this payment.

Since the coming into force of the Law for the Liquidation of Rentenbank notes (October 11, 1924) the following sums have been paid into the Sinking Fund at the Reichsbank:

Rentenmarks	189 069 508	under § 7a of the Law
"	165 000 000	" § 7b " " "
"	71 999 338	" § 7c " " "
"	611 889 722	" § 11 " " "
Total	1 037 958 568	

I.I.9.321 DOC. 267

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 26, 1927.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR AUGUST, 1927.

(see DOC. 265)

The Deutscher Reichsanzeiger No. 218 of September 17 publishes the summary of the tax receipts of the Reich for August 1927.

I. AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the various categories of taxation for August 1927, as compared with the receipts for the corresponding month of the previous year and of the preceding quarter (August 1926 and April 1927) together with the total receipts for the first five months of the financial years 1926-1927 and 1927-1928.

(millions of RM.)

Aggregate tax receipts	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	August 1926	May 1927	August 1927	Total for the first five months of the financial year	
						1926-27	1927-28
I. Income, Corporation and Turnover Taxes, etc.							
a) recurrent	5 280.0	440.0	459.8	382.4	410.2	1 890.9	2 307.6
b) non-recurrent	25.0	2.1	2.1	1.9	1.5	20.6	15.5
II. Customs and Taxes on Consumption, etc.							
a) assigned	2 410.0	200.8	186.4	234.6	244.6	874.7	1 192.8
b) other	35.0	2.9	3.1	3.9	3.5	28.3	17.8
III. Miscellaneous	-	-	-	-	-	0.2	-
Total	7 750.0	645.8	651.4	622.8	659.8	2 814.7	3 533.7

Although the receipts for the second month of each quarter are usually relatively low owing to the absence of substantial provisional instalments (general assessment of Income, Corporation Income and Turnover Taxes, etc.) the receipts for August 1927 exceed the monthly average estimated for the financial year by RM. 14 millions. They are therefore very satisfactory. The surplus is entirely derived from the assigned Customs and Taxes on Consumption (+ RM.43.8 millions), while the deficit (- RM. 29.8 millions) in the recurrent Income, Corporation and Turnover Taxes is naturally due to the absence of quarterly payments. The above table shows the advance in the receipts from the various categories of taxation in August as compared with May 1927. The falling-off in the returns from the recurrent Income, Corporation Income and Turnover taxes as compared with August 1926 is due to the special reasons hereinafter indicated.

II. REVENUES FROM INCOME, CORPORATION AND TURNOVER TAXES, ETC.

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	August 1926	May 1927	August 1927	Total for the first five months of the financial year	
						1926-27	1927-28
Income Tax:							
a) on salaries and wages (amount deducted at the source)	1 200.0	100.0	93.1	100.1	111.2	437.3	525.7
b) on interest and dividends (amount deducted at the source)	120.0	10.0	3.3	16.8	3.3	54.0	74.6
c) general assessment (after above deductions)	1 300.0	108.3	122.2	59.6	88.3	443.8	533.8
Together	2 620.0	218.3	218.6	176.5	202.8	935.1	1 134.1
Corporation Income Tax	400.0	33.3	57.3	11.9	32.6	177.2	216.1
Tax on real and personal property	470.0	39.2	57.4	75.3	57.7	100.8	185.4
Turnover Tax	900.0	75.0	62.0	32.7	31.9	362.2	346.4
Tax on Bourse transactions	66.0	5.5	5.1	11.0	4.4	22.0	38.9
Transport Tax	325.0	27.1	28.7	27.6	32.7	130.0	147.0
Other Taxes*	499.0	41.6	30.7	47.4	48.1	163.6	239.7
Total	5 280.0	440.0	459.8	382.4	410.2	1 890.9	2 307.6
* The item "Other Taxes" is composed as follows:							
Automobile Tax	130.0	10.8	9.0	14.1	12.8	49.2	76.3
Tax on Bills of Exchange	45.0	3.8	2.7	3.7	3.9	14.0	18.4
Other taxes	324.0	27.0	19.0	29.6	31.4	100.4	145.0

The Tax on salaries and wages, which relates in general to 26 working days (period from July 16 - August 15), remains very high at RM. 111.2 millions, a slight reduction of 2.8 millions as compared with the receipts for July*. The net yield (after deduction of repayments) which is alone known, should approximate the gross returns, as the calendar year advances (for July 1926 repayments amounted to only about RM. 1.1 millions). The average returns per working day amount to RM. 4.2 millions for August as compared with 4.4 millions for July, 4.2 millions for June and 4.1 millions for May. Such a comparison can however only be approximate. The number of working days varies according to the profession or trade, while, at the same time, small employers whose payments would be less than RM. 200 per fortnight are authorised to make such payments on the 5th of each month for the whole month which has elapsed (see DOC. No. 255). The returns for August comprise:

a) deductions at the source for the period from July 16 to August 15 (payments exceeding RM. 200 per fortnight);

b) deductions at the source for the month of July (payments less than RM. 200 per fortnight);

A comparison of the proceeds of the tax collected per working day for each month is therefore not an absolutely reliable guide.

No instalment of the Income tax and Corporation Income tax collected on the basis of a general assessment fell due in the month of August: these taxes however show an appreciable increase over the figures for May, due to the final payment of the taxes for the

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* For the first five months of the financial year, the tax on salaries and wages yielded RM. 525 millions. It is therefore practically certain that the first half-year will yield over RM. 600 millions and that, once the September results are known, the Government will propose an increase in the income exempt from the tax and in the reductions for family charges. Such tax reduction is provided for in the Law of September 3, 1925, as follows:

"If the returns from the tax on salaries and wages exceeds ... for a period of two consecutive quarters within the same year, the sum of RM. 600 millions, the Government shall introduce a Bill providing for an increase in the reductions for family charges and in the income exempt from the tax.

year 1926. Some of these payments were made in July (DOC. 265) whereas the final payments for the year 1925 practically all took place in August 1926. This circumstance explains the difference between the returns for August 1926 and August 1927.

The instalment of the tax on real and personal property which fell due on August 15, 1927 yielded the same amount as that for August 1926. The increase in the May figures over those for August (+ RM. 17.6 millions) is to be attributed to the instalment payable by the agriculturalists, who, in virtue of the Law (§ 95), have had their August instalment postponed until November.

The turnover tax payable every quarter since April 1, last, and which, as a result, amounted to RM. 168.3 millions for July, 1927, yielded for August 1927 RM. 31.9 millions, thus approximating the receipts for May 1927. In August 1926 the tax was still payable monthly.

The receipts from the tax on Bourse transactions (RM. 4.4 millions) which relate to business done in July, again reflect a slackening in Bourse transactions (- RM. 0.9 millions as compared with July - June business).

The receipts from the Transport Tax show a slight increase: RM. 32.7 millions as compared with RM. 32.0 millions for July, attributable to passenger traffic (18.5 millions as against 17.6 millions).

The automobile tax which is subject to considerable seasonal influences, yielded 12.8 millions (17.7 millions for July); the tax on bills of exchange stands at practically the same level as in July.

III. CUSTOMS AND TAXES ON CONSUMPTION etc. (ASSIGNED) :

(In millions of marks)

	Estimated revenue		Receipts collected				
	Financial year 1927-28	Monthly average	August 1926	May 1927	August 1927	Total for the first five months of the financial year	
						1926-27	1927-28
Customs	890.0	74.2	64.8	97.4	93.2	343.9	532.4
Tobacco Tax	700.0	58.3	52.8	61.5	65.4	233.2	303.0
Sugar Tax	275.0	22.9	27.9	23.9	32.8	109.8	116.6
Beer Tax	335.0	27.9	26.2	28.5	34.2	115.2	143.2
Spirit Monopoly	210.0	17.5	14.7	23.3	19.0	72.6	97.6
Total:	2 410.0	200.8	186.4	334.6	244.6	874.7	1 192.8

The customs and taxes on consumption, etc. (assigned) show a falling-off in receipts for August (RM. 244.6 millions) as compared with July (272.0 millions). This apparent decline is attributable solely to customs (RM. 93.2 millions as against 146.6 millions for July) which for that month had shown exceptionally high receipts (half-yearly instalment on account of goods cleared from bond in the first six months of the civil year); in reality the returns from the customs still remain high although showing a slight reduction (May: 97.4; June: 104.2; August: 93.2); this reduction seems chiefly due to the falling-off in the imports of cereals.

The other taxes all show increases as compared with the receipts for July. The remarkable increase in the sugar tax (RM. 32.8 millions as against 16.9 millions for July) is due to the 31st July having fallen on a Sunday. The instalments falling due on that date were carried over to the following day, August 1.

The increase in the beer tax is to be ascribed to seasonal influences. The receipts from the spirits monopoly for August are RM. 4.6 millions higher than those for July; the exceptionally high receipts for May were due to increased sales in anticipation of the higher duties applicable as from June 1.

IV. The receipts for the first five months of the financial year remain distinctly above the estimates. The Finance Ministry comments that only about 350 millions are required to bring the receipts up to 50 per cent of the total for the financial year (RM. $\frac{7\,750}{2}$ = RM. 3875). The margin is exactly 341.4 millions; moreover, in view of the movement of receipts in the last few months, September will doubtless show higher returns than June: 553.9 millions. The receipts for the first six months will therefore doubtless exceed RM. 4 100 millions, making a surplus of approximately RM. 225 millions. As regards the receipts for the second six months, if the trade stimulus continues, it is possible that the seasonal falling-off in certain receipts will be counterbalanced by the growth of business which usually takes place at the end of the year. If these conditions are fulfilled, there will be a surplus at the end of the year of abour RM. 400 millions, all the more remarkable since it should not be forgotten that the budget estimates were increased after the introduction of the budget, in order to cover the increases in the transfers to the States. These hopes are reflected in the communiqué of the Finance Ministry which appears to allude to the increase in salaries and pensions provided for as from October 1. The communiqué concludes with the following passages of which the optimistic tone should be emphasised:

"Even taking into account 1) that the first five months of the financial year include two months in which substantial provisional instalments have fallen due (income, corporation

income taxes and the tax on real and personal property), 2) that during this period the final payments of these taxes for the year 1926 have been effected, and 3) that the tax returns are usually considerably lower during the third month than during the first two months of a quarter, the period of the financial year which has elapsed may be regarded as favourable. There is reason to hope that, by economising on the expenditure side, the additional charges which the Reich will shortly have to meet may be adequately covered."

(signed) M.H.

Transl. 4891
CG.

I.I.9.3373
3375

DOC. 268

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 11, 1927.

FINANCES OF THE REICH

ALTERATIONS IN THE SUGAR AND ALCOHOL TAXES.

1. Reduction in the Sugar Tax.

Under the Law of July 15, 1927 (Reichsgesetzblatt I, p.179) the rate of the Sugar Tax was reduced by 50 per cent as from August 1, 1927, the rate of RM 21 per 100 kgs (see DOC. 132) in force until that date being reduced to RM 10.50. The tax which was formerly payable on the last day of the second month following delivery is payable, as from the date of application of the Law, on the 25th day of the second month following release.

The revenue from the Sugar Tax for the financial year 1927/28 is estimated in the Budget at RM 275 millions. The reduction in the rate of the tax will be reflected for the first time in the October receipts (August deliveries). Assuming the annual consumption to be about 1 400 000 tons*, it may be anticipated, on the basis of the returns already to hand, that the new arrangement, in view of the drop in receipts in the second half-year, will entail a reduction of approximately RM 50 millions as compared with the estimates - although this figure may perhaps be reduced

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* From September 1, 1925 to August 31, 1926, the consumption of refined sugar amounted to 1.29 million tons: from September 1, 1926 to August 31, 1927 the demand increased to 1.37 million tons (Deutscher Reichsanzeiger 1927, No. 224).

as a result of increased sales following upon the reduction in price.

2. Increase in the Alcohol Tax and in the selling price of the Monopoly.

As from June 1, 1927, according to an announcement of the Alcohol Monopoly dated May 28, 1927 (Deutscher Reichsanzeiger No. 123),

a) the tax per hectolitre of potable spirit is increased from RM 280 to RM 330, and

b) the selling price per hectolitre of such spirit is raised from RM 430 to RM 500.

The revenue from the Alcohol Monopoly is estimated in the Budget at RM 210 millions. There is no official information to hand on the effect of the new rates. As however the increase in the Alcohol Duty of RM 50 per hectolitre will affect about three quarters of the financial year 1927/28, and as the annual consumption of potable spirits (paying full tax) should amount to approximately 800 000 hectolitres, the increased returns from the Tax for the financial year 1927/28 may with all due reserve be estimated at about RM 30 millions.

M. H.

Transl. 4924.
QW.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 13, 1927.

FINANCES OF THE REICH

PUBLIC DEBT OF THE REICH AS AT AUGUST 31, 1927.

(See DOC. 262)

I. The total figures of the Public Debt of the Reich as at June 30 and August 31, 1927 (see Wirtschaft und Statistik No. 18) were as follows: The details of the various items for each month of the period are shown in the Annex.

	(millions of RM.)
As at June 30, 1927	4 388.8
" " August 31, 1927	4 331.0
Reduction during this period	57.8

II. Variations in the different items.

The issues of the 5 per cent Reich Loan 1927 during July have raised the nominal total from 452 millions as at June 30 to 470 millions as at August 31, an increase of RM. 18 millions.

The debt of the Reich to the Rentenbank has fallen by 21.5 millions as a result of the payment to sinking fund, in accordance with the Law on the Liquidation of the Rentenbank (§ 7, a and b) of

RM. 15 millions,	amount of the quarterly payment of the Reich maturing July 1, 1927, and
" 6.5 "	amount of interest paid by the owners of the mortgaged land.

The variations in the Reichsmark value of the German External Loan 1924 are principally due to the fluctuations in foreign currencies.

Of the 110 millions due to the Post Office, 50 millions were repaid in the course of July, leaving a balance of 60 millions as at August 31.

The other items do not show any appreciable change.

M.H.

DOC. 269
Annex

PUBLIC DEBT OF THE REICH
(in millions of RM.*)

	June 30 1927	July 31 1927	August 31 1927
I. GOVERNMENT BONDS.			
Old paper mark debt, revalorised under Law of July 16, 1925 (provisional).....	1 742.1	1 742.1	1 742.1
5 per cent loan issued February 1927, under Laws of March 31, 1926 and January 8, 1927 (RM. 500 millions, nominal)	452.0	470.0	470.0
Total Government Bonds	2 194.1	2 212.1	2 212.1
II. TREASURY BONDS AND BILLS			
Gold loan 1932, issued under Law of June 4, 1923	1.3	1.3	1.3
Gold loan 1935, issued under Law of August 14, 1923	18.8	18.8	18.8
"K" bonds, issued under Law of July 11, 1923	0.7	0.7	0.6
Reichsmark bills; short term Treasury obligations	-	-	-
Total Treasury bonds and bills .	20.8	20.7	20.7
III. BANK LOANS			
From Rentenbank, authorised under Decree of October 15, 1923	867.4	848.0	845.9
From Reichsbank	208.4	208.4	208.4
Total bank loans	1 075.8	1 056.4	1 054.3

* Difference in the totals are due to the rounding off of the figures.

DOC. 269

Annex

	June 30 1927	July 31 1927	August 31 1927
IV. MISCELLANEOUS			
Guarantees given by the Reich, chiefly for food supplies during and after the war, mainly in foreign currencies	51.1	51.0	50.9
"Meliorationskredit" - obligations arising out of credits to agriculturalists	12.0	12.0	12.0
Loan from the Post Office	110.0	60.0	60.0
Other obligations	9.7	9.7	9.4
Total miscellaneous	182.8	132.6	132.4
V. GERMAN EXTERNAL LOAN 1924.			
Series in:			
Dollars	424.3	422.6	422.4
Pounds sterling	429.5	427.9	428.2
Swedish crowns	27.6	27.4	27.5
Lire	22.2	21.7	21.6
Swiss francs	11.8	11.7	11.8
Total	915.3	911.4	911.5
GRAND TOTAL	4 388.8	4 333.3	4 331.0

Transl. 4973.
CG.

I.I.9.322 DOC. 270

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 13, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN JULY AND AUGUST, 1927.

(cf. DOC. 264).

The Ministry of Finance published the statement of Receipts and Payments of the Reich for July and August simultaneously on October 11 (Deutsche Reichsanzeiger No. 247 of October 10, 1927). The statement for June was published on August 9.

There has been no change in the statement. The translation, repeating the figures for the first quarter, is given below.

I. STATEMENT OF RECEIPTS AND PAYMENTS OF THE REICH for July and August of the financial year 1927/1928.

A. ORDINARY BUDGET	April/ June 1927	July 1927	August 1927	Total of first 5 months
	(in millions of RM)			
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926 :				
a) to meet outstanding payments of the financial year 1926 (outstanding payments less outstanding receipts) 348.5				
b) net surplus from the financial year 1926 ..... 199.5				
548.0				
II. RECEIPTS : (Receipts as estimated in the 1927 Budget: RM 8 659 millions).				
1. Taxes, Customs and dues	1 925.8	948.1	659.7	3 533.6
2. Seigniorage on the coinage	0.6	-	0.2	0.8
3. Surplus from the Postal Service and Printing Office of the Reich	-	70.0	-	70.0
4. Dividend on the shares of the German Railway Company owned by the Reich.	29.9	-	-	29.9
5. Miscellaneous administrative receipts	52.7	16.0	18.2	86.9
Total receipts	2 009.0	1 034.1	678.1	3 721.2
III. PAYMENTS: (Payments as estimated in the 1927 Budget: RM 8 659.0 millions).				
1. Transfers of taxes to the Federal States	593.6	320.3	283.6	1 197.7
2. Salaries	175.0	60.4	60.1	295.5
3. Pensions	379.1	128.4	122.6	630.1
4. Social insurance	60.2	25.2	25.3	110.7
5. Unemployment relief	82.2	11.4	15.8	109.4
6. Army - Payments for material	60.1	29.8	23.2	113.1
7. Navy - Payments for material	28.9	11.5	8.5	48.9
8. Communications	31.8	12.6	11.6	56.0
9. Public debt: interest & sinking fund	14.8	15.6	11.5	41.9
10. Public debt: revalorised debt	83.4	20.8	18.2	122.4
11. Safety police	47.3	15.8	15.8	78.9
12. Internal war charges	43.2	18.6	10.5	72.3
13. Reparation payments	183.1	66.6	66.4	316.1
14. Miscellaneous	204.7	59.8	36.1	300.6
Total payments	1 987.4	796.8	709.4	3 493.6
Deficit	-	-	31.3	-
Surplus	21.6	237.3	-	227.6

B. EXTRAORDINARY BUDGET	April/ June 1927	July 1927	August 1927	Total of first 5 months
	(in millions of RM)			
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926, excess of payments over receipts which has to be met out of the yield from subsequent loans ..... - 290.0				
II. RECEIPTS : (Receipts estimated in the 1927 Budget ..... 9.8 Loans estimated ..... 466.4 Total estimated receipts.. 476.2)				
1. Administrative receipts	0.7	0.2	0.2	1.1
2. Yield from the 5% Loan 1927	85.1	16.3	-	101.4
Total receipts	85.8	16.5	0.2	102.5
III. PAYMENTS : (Payments estimated in the 1927 Budget ..... 476.2 In addition RM 281.6 millions of payments outstanding from the financial year 1926/27, which have to be met together with the 290 millions mentioned above out of the yield of subsequent loans).				
1. Productive unemployment	16.7	7.7	5.4	29.8
2. Communications	20.5	8.8	8.5	37.8
3. Internal war charges	10.0	0.8	2.5	13.3
4. Reparation payments	5.5	1.8	1.8	9.1
5. Miscellaneous	86.0	25.8	19.9	131.7
Total payments	138.7	44.9	38.1	221.7
Deficit	52.9	28.4	37.9	119.2
Surplus	-	-	-	-

B A L A N C E

A. ORDINARY BUDGET :	
1. Brought forward from the financial year 1926	548.0
2. Surplus April/August 1927	227.6
	775.6
B. EXTRAORDINARY BUDGET :	
1. Brought forward from the financial year 1926	- 290.0
2. Deficit April/August 1927	- 119.2
	- 409.2
Balance	+ 366.4

REMARKS.

1) Of the yield from taxation in July 1927, 126.9 millions were further transferred to the Federal States in August, and of the yield in August, 38.5 millions were transferred in September.

2) Statements of the public debt of the Reich.

(The statement attached to the survey of the Receipts and Payments reproduces information on the items of the public debt, details of which are given in DOC. 269. For this reason it is not reproduced here).

II. OBSERVATIONS.

A. ORDINARY BUDGET.

According to the statement the month of July closes with a surplus of 237.3 millions, and the month of August with a deficit of RM 31.3 millions. If the payments effected to the Federal States are charged against the month for which they are due and not the instalments paid during the month, July and August would both close with surpluses of 163.1 and 57.1 millions.

These results are partly due to increased receipts from taxation during the two months in question (cf. DOCS.265 and 267). In July particularly the quarterly payments in respect of income tax and corporation income tax fell due, together with the supplementary payments in respect of the two taxes for the year 1926. In addition, RM 70 millions were paid into the cash offices of the Reich during this month, representing the surplus obtained by the German Postal Administration during its financial year 1926/27. This sum was entered in the Reich Budget estimate for the financial year 1926/27, but as the Balance Sheet of the Reichspost for the financial year 1926/27 was not presented until July 1927, it was not possible to recover it during the normal duration of the financial year. The amount was therefore entered under the

"outstanding revenues of the financial year 1926/27", and this is how it appears under the receipts for the financial year 1927/28.*

The estimated receipts and payments amount to 8 659 millions for the financial year, and on a pro rata basis to approximately 3 608 millions for five months. The first five months of the financial year closed with a total surplus of RM 227.6 millions. This surplus is reduced to 189.1 millions if the 38.5 millions transferred to the Federal States in September in respect of August taxes are taken into account. The surplus of 227.6 millions is therefore due (as compared with the average shown by the estimates) to (1) surplus receipts of 113 millions and to (2) a reduction of 114 millions in payments. The commentaries attached to the statement show that the receipts for the first five months were increased by the falling due of two provisional payments, and in the case of expenditures much heavier payments (to which reference will be made later) will have to be made during the second half of the financial year. However, taking the ordinary budget alone, the results of the first five months may be considered satisfactory. During these five months payments were effected out of current receipts in respect of "outstanding expenditures for the financial year 1926/27" (Ausgabereste). The sums brought forward from the previous financial year to cover all these items of expenditure (348.5 millions) together with the net surplus from the same financial year (199.5 millions) are still intact and to them must now be added the surplus of RM 227.6 millions mentioned above. The favourable balance of the ordinary budget therefore stands at RM 775.6 millions on August 31 (737.1 millions, taking into account the transfers to the Federal States effected in September).

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* Similarly RM 12.1 millions collected during the financial year 1926/27 belong to the financial year 1925/26 (cf. NOTE 35 of December 17,1926) and the surplus if any from the financial year 1927/28 (RM 70 millions entered in the 1927/28 budget) will be carried forward to the financial year 1928/29 as "outstanding revenues from the financial year 1927/28".

In so far as the July and August payments are more particularly concerned, there is only a difference between them of 27.2 millions if the transfers to the Federal States (the amount of which varies according to the taxation receipts) and the miscellaneous payments in respect of which there is no information are deducted. This difference of 27.2 millions (July 416.7 millions; August 389.5 millions) is due principally to payments in respect of material for the Army and Navy (+ 9.6 millions), to internal war charges (+ 8.1 millions) and to pensions (+ 5.8 millions).

As compared with previous months, July and August payments show a slight increase for certain items, especially payments for social insurance (the increase appears due to the supplementary grants allowed by the Reich in virtue of the Law of April 8, 1927 on Disablement and Old Age Insurance), for the public debt - the payments of which are not equally distributed over all the months of the year. Payments in respect of unemployment relief which should have decreased with the number of unemployed show a slight increase in August, but remain distinctly below those for the first months of the financial year.

The item Reparation Payments comprises the following :

	July	August
	(in millions of RM)	
Normal budgetary contribution	9.195	9.159
Supplementary budgetary contribution	34.906	34.772
Transport Tax	22.472	22.486
Total	66.573	66.417

B. EXTRAORDINARY BUDGET.

As compared with June (51.3 millions), payments under the Extraordinary Budget for July and August (44.9 and 38.1 millions) have decreased

by 6.4 and 13.2 millions. This reduction arises from the payments for productive unemployment relief (- 4 and - 6.3 millions) and miscellaneous payments. "Miscellaneous" includes extraordinary payments for the Army and Navy and a portion of those classified as investments, loans, etc. (the other portion is entered in the statement under Payments for "Communications").

16.3 millions were collected in July in respect of the 5 per cent Loan 1927. Taking into account the miscellaneous administrative receipts, the Extraordinary Budget closed in July and August with total deficits of RM 28.4 and 37.9 millions.

The deficit for the first five months of the financial year amounts to RM 119.2 millions, to which must be added the deficit of RM 290 millions remaining from the financial year 1926/27. The total deficit therefore amounts to 409.2 millions. This is authorized to be covered by loans, but thus far it has been covered by sums transferred from the Ordinary Budget.

C. BALANCE.

The balance of the Ordinary and Extraordinary Budgets is as follows:

	June 30, 1927	July 31, 1927	August 31, 1927
	(in millions of RM)		
Ordinary Budget	+ 569.6	+ 806.9	+ 775.6
Extraordinary Budget	- 342.9	- 371.3	- 409.2
Balance	+ 226.7	+ 435.6	+ 366.4

If the amounts remaining to be transferred to the Federal States at the end of each of these months are taken into account, the actual balance is as follows: June 30, + 174.0 millions; July 31, + 308.7 millions; August 31, + 327.9 millions. The available funds of the Reich would thus seem to have increased slightly since the beginning of the financial year when they stood at RM 258 millions.

An examination of the figures for the receipts and payments of the Ordinary Budget at the end of the first five months of the financial year therefore leaves a good impression. So far owing to a number of fortunate circumstances receipts have exceeded payments and the Ordinary Budget closes with a surplus.

In the case of the Extraordinary Budget which according to the estimates must be covered by loan, the balance outstanding from the 1927 loan has not proved sufficient and it shows a deficit to date of RM 119.2 millions, which it has only been possible to meet out of the surpluses of the Ordinary Budget; the same was the case with the deficit of RM 290 millions bequeathed by the financial year 1926/27. The proceeds from the 1927 loan of the Reich are almost exhausted. There only remain approximately 22 millions to be collected. It is therefore to be expected that once the 1927 loan has been completely realised, the Extraordinary Budget will from October onwards have to call upon the funds of the Ordinary Budget to cover almost the whole of its payments, failing any proceeds from borrowing.

Moreover, the commentaries attached to the survey of the receipts and payments of the Reich, while acknowledging the favourable results achieved during the first five months of the financial year, point out that the payments during the said five months have remained below the estimates and that large amounts will have to be paid out during the second half of the year. "These are for example the 75.5 millions due in October and the 135.5 millions "due in January for the repurchase of drawing rights under the revalorised "debt, the RM 150 millions entered in the 1925/26 Budget to meet compensation "paid to "old" holders of Reich loans the amount of which has been transferred "from the 1926/27 Budget and only expended to a small extent in consequence "of the necessary preparatory work. The major part of these payments falls

"in the second half of the financial year which will be burdened still "further after September by the increased reparation payments. During the "second half of the year there will have to be paid: 50 millions to the "Office of the Reich for unemployment insurance, 40 millions for disablement "and old age insurance and large sums as compensation to the holders of the "National Emergency Loan (Notopferabfindung). Finally, payments for unemploy- "ment emergency relief and increased salaries will be a heavier burden on the "second half of the financial year than was the case during the first five "months. All these considerations lead one to conclude that the entire sums "collected during the first five months (in so far as they will not be used to "meet payments transferred from the previous financial year and still out- "standing) or to meet the payments under the Extraordinary Budget not covered "by loan, will be completely absorbed at the end of the financial year."

It may be said that this observation, which corrects the optimistic impression left by the results of the first five months of the financial year, makes it clear that the extraordinary expenditures for which cover has not been provided may be met out of the reserves of the Ordinary Budget (surpluses and sums transferred from the financial year 1926/27). This use of the surpluses of the Ordinary Budget would conform more to budgetary regulations than the practice adopted in the 1927/28 Budget where the surplus of the previous financial year has been relied upon to balance the Ordinary Budget. But should the surplus of 1927/28, if any, be put to this use, the 1928/29 Budget could no longer be able to count on any resources other than its own.

M. H.

Transl. 4980.
QW.

I.I.9.4140 DOC. 271

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 18, 1927.

THE BALANCE SHEET OF THE RENTENBANK AS ON SEPTEMBER 30, 1927.

(see DOC. 266)

The following is the comparison between the balance sheet of the Rentenbank as on September 30, 1927 and the balance sheet as on August 31, 1927.

	Balance sheet of September 30, 1927. (in Rent.M.)	Difference as compared with that of August 31. (in Rent. M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on 31.8.27 Rent.M. 1 699 844 000 as on 30.9.27 " " 1 699 844 000		
Loans to the Reich	844 483 578.82	- 1 446 912.93
Outstanding credits	238 444 861.--	-
Other debtors	1 361 419.35	- 3 490 604.33
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	79 764 404.15	+ 4 802 444.06
Real property of the Bank	300 000.--	-
Office furniture and supplies	12 504.45	+ 790.--
Miscellaneous assets	3 400 357.25	+ 13 590.--
L I A B I L I T I E S		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 040 773 102.--	- 1 446 913.--
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenmark notes	71 999 338.40	-

	Balance sheet of September 30, 1927 (in Rent. M.)	Difference as compared with that of August 31 (in Rent. M.)
Rentenbriefe in circulation	156 000.--	-
Carried forward	38 638 682.05	-
Reserves	6 195 804.58	+ 25 214.40
Miscellaneous liabilities	1 113.40	- 2 145.83

In September a payment was made to the sinking fund at the Reichsbank of Rent. M. 1 446 912.93 derived from the interest payments of the owners of mortgaged land. The items "Loans to the Reich" and "Rentenbank notes in circulation" are correspondingly reduced.

Since the coming into force of the Law on the Liquidation of Rentenbank notes (October 11, 1924) the following payments into the sinking fund have been made:

Rentenmarks	190 516 421	in	virtue	of	§ 7 a	of	the	Law
"	165 000 000	"	"	"	§ 7 b	"	"	"
"	71 999 338	"	"	"	§ 7 c	"	"	"
"	611 889 722	"	"	"	§ 11	"	"	"
Total "	1 039 405 481							

Transl. 4992
CG.

I.I.9.321 DOC. 272

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 24, 1927.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR SEPTEMBER 1927.

(cf. DOC. 267)

The Deutscher Reichsanzeiger No. 245 of October 19 publishes the summary of the tax receipts of the Reich for September 1927.

I. AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the various categories of taxation for September 1927, as compared with the receipts for the corresponding month of the previous year and of the preceding quarter (September 1926 and June 1927), together with the total receipts for the first six months of the financial years 1926-27 and 1927-28.

(in millions of Reichsmarks)

Aggregate receipts	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly average	Sept. 1926	June 1927	Sept. 1927	Total for the first six months of the financial year 1926/27	Total for the first six months of the financial year 1927/28
I. Income, Corporation Income & Turnover Taxes etc.							
a) recurrent	5 280.0	440.0	321.5	312.7	333.4	2 212.4	2 641.0
b) non-recurrent	25.0	2.1	2.3	2.5	1.6	22.9	17.1
II. Customs and Taxes on Consumption etc.							
a) assigned	2 410.0	200.8	217.5	235.2	242.9	1 092.1	1 435.7
b) other	35.0	2.9	3.6	3.5	3.8	32.0	21.6
III. Miscellaneous	-	-	-	-	-	0.2	-
Total	7 750.0	645.8	544.9	553.9	581.8	3 359.6	4 115.4

As was anticipated (cf. DOC. 267), the receipts for September (RM 581.8 millions) show an appreciable advance (RM 27.9 millions) over those for June (RM 553.9 millions) - the corresponding month of the preceding quarter; the recurrent income, corporation income and turnover taxes etc. account for the greater part of the increase, namely RM 20.7 millions, while the assigned revenues yielded only 7.7 millions more than in June. The returns therefore continue to be satisfactory.

II. REVENUE FROM INCOME, CORPORATION INCOME & TURNOVER TAXES ETC.

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly average	Sept. 1926	June 1927	Sept. 1927	Total for the first 6 months of the fin.yr. 1926/27	1927/28
Income Tax:							
(a) on salaries and wages (amount deducted at source)...	1 200.0	100.0	93.2	108.4	115.0	530.5	640.7
(b) on interest and dividends (amount deducted at source).	120.0	10.0	1.2	14.3	2.3	55.2	76.9
(c) general assessment, after above deductions	1 300.0	108.3	63.4	44.9	77.1	507.3	610.9
Together	2 620.0	218.3	157.8	167.6	194.4	1 093.0	1 328.5
Corporation Income Tax ..	400.0	33.3	20.6	10.7	23.5	197.8	239.6
Tax on real & personal property	470.0	39.2	15.5	19.7	14.6	116.3	200.0
Turnover Tax	900.0	75.0	60.1	22.5	25.4	422.3	371.8
Tax on Bourse Transactions	66.0	5.5	7.0	10.5	4.1	29.0	43.0
Transport Tax	325.0	27.1	29.2	28.9	34.2	159.3	181.2
Other taxes *	499.0	41.6	31.3	52.8	37.2	194.7	276.9
Total	5 280.0	440.0	321.5	312.7	333.4	2 212.4	2 641.0

* The item "Other taxes" is composed as follows:

Automobile Tax	130.0	10.8	8.4	18.9	12.4	57.6	88.7
Tax on bills of exchange.	45.0	3.8	2.8	3.7	4.0	16.8	22.4
Miscellaneous taxes	324.0	27.0	20.1	30.2	20.8	120.3	165.8

The Tax on Salaries and Wages which in general covers 27 working days (period August 16 to September 15) amounted to RM 115 millions, the highest yield obtained since November 1925, before the recent deductions were introduced. The high returns are doubtless partly due to the improvement in the labour market and to the increase in wages, but also to a large extent to the greater number of working days. Indeed, the average receipts per working day have remained practically constant since May (September 4.3 million; August 4.2 millions; July 4.4 millions; June 4.2 and May 4.1). It has already been explained that any comparison of the receipts per working day can only be approximative (cf. DOC. 267).

The returns from the Tax on Salaries and Wages having exceeded RM 600 millions in the first two quarters of the financial year, the Democrat and Social-Democrat parties propose, in virtue of the Brüninggesetz of September 3, 1925, to introduce a motion for a reduction in the tax. Up to the present the Government has not announced its intentions in the matter; from a speech delivered in the Prussian Diet by the (Prussian) Finance Minister, Dr. Höpker Aschoff, it would appear that the Government of the Reich proposes to increase the estimates for the tax in question to RM 1 300 millions for the financial year 1928/29, that is to over 600 millions per half-year. This seems to point to its intention of maintaining the status quo.

No instalment of income tax and corporation income tax levied by general assessment fell due in September. The increased receipts as compared with June are derived chiefly from payments in final settlement of the tax for 1926.

The receipts from the Tax on Real and Personal Property merely represent late payments of the instalment due on August 15, 1927.

Similarly, the Turnover Tax returns represent late payments of the July instalment or voluntary monthly payments. The next instalment of the tax falls due in October. In September 1926 the tax was payable monthly, so that no comparison is possible.

The Tax on Bourse Transactions which has been steadily declining, testifies to the stagnation of the stock-exchange market:

	(millions of RM)		(millions of RM)
April 1927	7.6	July 1927	5.3
May "	11.0	August "	4.4
June "	10.5	September"	4.1

The Transport Tax has slightly advanced as compared with the receipts for August (34.2 as against 32.7 millions). The increase amounts to 0.8 million for passenger traffic and to 0.7 for goods.

The Automobile Tax returns which showed a seasonal increase in the summer months, due to the renewal or issue of licenses, amounted for September to 12.4 millions, practically equivalent to the figure for August: 12.8 millions.

III. CUSTOMS AND TAXES ON CONSUMPTION ETC. (ASSIGNED)

(in millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly average	Sept. 1926	June 1927	Sept. 1927	Total for the first 6 months of the fin.yr. 1926/27	1927/28
Customs	890.0	74.2	70.1	104.2	95.7	414.1	628.0
Tobacco Tax	700.0	58.3	67.9	58.7	71.5	301.0	374.6
Sugar Tax	275.0	22.9	32.4	23.9	20.7	142.2	137.3
Beer Tax	335.0	27.9	27.1	26.5	36.4	142.3	179.6
Alcohol Monopoly ..	210.0	17.5	20.0	21.9	18.6	92.5	116.2
Total	2 410.0	200.8	217.5	235.2	242.9	1 092.1	1 435.7

The receipts for September from the Customs and Taxes on Consumption etc. (assigned) still remain considerably above the estimates, and approximate, to within about 1.7 million, the figure for August (244.6 millions).

The Customs receipts continue at practically the same level (95.7 for September as against 93.2 millions for August). The falling-off as compared with the June returns may be attributed to the maturing in June of the duties on exceptional imports of cereals.

The receipts from the Sugar Tax, relating to the July turnover, have declined by 12.1 millions as compared with the receipts for August (32.8 millions). The falling-off is partly due to reduced sales in July, in anticipation of the drop in the rates of the tax on and after August 1 (cf. DOC. 268). At the same time, the August receipts include payments which should have been made on July 31 but, as that day fell on a Sunday were carried forward to August 1. The effects of the reduced duties will not be felt until October.

IV. COMPARISON OF THE RECEIPTS WITH THE ESTIMATES.

Assuming the estimates for the financial year to be equally distributed over the two half-years - which is not strictly accurate - the receipts for the first six months exceed the estimates by RM 240.4 millions. The surplus is almost entirely derived from the assigned Customs and Taxes on Consumption (+ 230.7), the other categories of taxation accounting for only RM 9.7 millions. The result is solely to be attributed to the receipts for the second quarter, which surpassed those for the first by RM 263.8 millions. The margin is partly due to the arrangement of the dates of payment of the various taxes and partly to the economic revival.

a) Income, Corporation Income and Turnover Taxes etc.

As compared with the estimates these taxes have yielded a surplus of only one million. A comparison of the returns from these taxes with the estimates for the six months in question, shows the following surpluses or deficits:

	Surplus (+)		Deficit (-)	
	Millions of RM.	% of the estimates	Millions of RM.	% of the estimates
Income Tax:				
a) Salaries and wages	+ 40.7	6.8		
b) Interest and dividends	+ 16.9	28.2		
c) General assessment			- 39.1	6.0
Corporation Income Tax	+ 39.6	19.8		
Tax on Real & Personal Property.			- 35.0	14.9
Turnover Tax			- 78.2	17.4
Tax on Bourse Transactions	+ 10.0	30.3		
Transport Tax	+ 18.7	11.5		
Automobile Tax	+ 23.7	36.5		
Tax on Bills of Exchange			- 0.1	
Other Taxes	+ 3.8	2.3		

In the case of Income Tax the slight deficit in the general tax is amply counterbalanced by the surplus in the two specific taxes.

Corporation Income Tax shows a considerable surplus which should persist in the second six months of the financial year, when certain instalments will have been assessed on the results for a period in which trade was already recovering.

It will be remembered that the farmers' instalment of the Tax on Real and Personal Property, payable on August 15, 1927, was duly postponed until November 15. Moreover, the work of assessing the tax for 1926 being not yet terminated, the final instalments for that year will not be payable

until the second six months of the financial year 1927/28. The apparent deficit in the tax for the first six months will therefore probably be counterbalanced in the second half-year.

The Budget estimates for these three taxes, - substantially increased after the presentation of the Budget,- largely discount future revenue and reduce the margin of possible surpluses.

As a result of the transition from monthly to quarterly payments of the Turnover Tax on and after April 1, 1927, the receipts for the first half of the financial year represent the returns due for four full months only (March, paid in April; April, May and June, paid in July), together with late and voluntary payments for the second quarter. The instalment due for July, August and September is not payable until October.

These factors are partly responsible for the deficit in the first half year. At the end of the year, moreover, as the payments for the last quarter will not fall due until April 1928, the receipts for the present financial year will comprise only the returns for ten full months (tax paid in April for March 1927 and the first three quarters of the year). Despite the increased receipts to be anticipated at the Christmas season there is the risk of a certain deficit at the end of the year, since adequate allowance does not seem to have been made for the displaced dates of the instalments.

If these various considerations are taken into account, the taxation yield for the first six months, which is equivalent to the estimates, justifies the hope of a slight surplus, at the end of the year, of about 50 to 100 millions, derived chiefly from the tax on salaries and wages, corporation income tax and secondary taxes.

b) Customs and Taxes on Consumption etc.

At the end of the first six months of the financial year, the yield from the Customs and Taxes on Consumption (assigned) exceeded the estimates by RM 230.7 millions or 19.1 per cent. The surplus is practically general, the Sugar Tax alone showing a slight deficit.

	Surplus (+)		Deficit (-)	
	Millions of RM.	% of the estimates	Millions of RM.	% of the estimates
Customs	+ 183.0	41.1		
Tobacco Tax	+ 24.6	7.0		
Sugar Tax			- 0.2	
Beer Tax	+ 12.1	7.1		
Alcohol Monopoly	+ 11.2	10.7		

This brilliant result is chiefly due to the Customs yield, which reflects the increase in imports; in particular, the 1926 harvest having been much below the average, large quantities of cereals had to be imported. As the 1927 harvest was slightly better, such requirements will possibly be less great in the second half-year. At the same time, the 50 per cent reduction in the rate of the Sugar Tax will make itself felt as from October. Accordingly, although the second half-year will probably yield a surplus, it will be considerably less than that for the first six months.

V. COMPARISON WITH THE FIRST SIX MONTHS OF 1926-27.

The rate of taxation has varied only very slightly since April 1, 1926. Taking into account the few changes introduced since that date - and indicated below - it is possible by comparing the results for the first six months of the two financial years 1926-27 and 1927-28 approximately to trace the truly sensational development of the taxable material.

The total receipts for the first six months of the financial year 1927-28 show, as compared with those for the corresponding period of 1926-27 an increase of RM 755.8 millions (4 115.4 millions as against 3 359.6 millions) or about 22.5 per cent. They may be distributed as follows between the two main categories of taxation :

a) Recurrent Income, Corporation Income and Turnover Taxes etc.

	Receipts for the first six months of the :		Increase (+) Decrease (-)	
	Fin. Yr. 1926-27	Fin. Yr. 1927-28	(Millions of RM)	percentage
	(Millions of RM)			
Income Tax				
a) Salaries and wages	530.5	640.7	+ 110.2	+ 20.8
b) Interest and dividends	55.2	76.9	+ 21.7	+ 39.3
c) General assessment	507.3	610.9	+ 103.6	+ 20.4
Total	1 093.0	1 328.5	+ 235.5	+ 21.5
Corporation Income Tax	197.8	239.6	+ 41.8	+ 21.1
Tax on Real and Personal Property	116.3	200.0	+ 83.7	+ 72.0
Turnover Tax	422.3	371.8	- 50.5	- 12.0
Tax on Bourse Transactions	29.0	43.0	+ 14.0	+ 48.3
Transport Tax	159.3	181.2	+ 21.9	+ 13.7
Automobile Tax	57.6	88.7	+ 31.1	+ 54.0
Tax on Bills of Exchange	16.8	22.4	+ 5.6	+ 33.3
Other taxes	120.3	165.8	+ 45.5	+ 37.8
Total	2 212.4	2 641.0	+ 428.6	+ 19.4

The increase in all these taxes is remarkable; the only exception relates to the Turnover Tax for the reasons described above : for 1927-28 collection for four months only as a result of the introduction of quarterly payments. The circumstance that in April 1926-27 the Tax was still levied at the rate of 1 per cent (in lieu of 0.75 per cent) and included the Luxury Tax, further contributed to swell the figures for 1926-27.

In the case of other two taxes, the proceeds of the two half-years are not strictly comparable.

On the one hand, the Tax on Real and Personal Property during the first quarter of the financial year 1926-27 shows only one instalment, that of May 15,1926 having been cancelled under the Law of March 31, 1926. The two quarterly payments have been re-introduced for the first half-year 1927-28.

On the other hand, the Tax on Bourse Transactions was reduced by 50 per cent on and after May 3, 1926, the effect of the reduction being felt as from June 1926. The receipts for the first quarter of the financial year 1926-27 therefore include for April and May taxes levied at a higher rate.

b) Customs and Taxes on Consumption etc. (assigned).

The increase in assigned Customs Duties and Taxes on Consumption is proportionately larger; it amounts to RM 343.6 millions, or 31.5 per cent, distributed as follows :

	Receipts for the first six months		Increase (+) Decrease (-)	
	Fin. Yr. 1926-27	Fin. Yr. 1927-28	(Millions of RM)	Percentage
	(Millions of RM)			
Customs	414.1	628.0	+ 213.9	+ 51.6
Tobacco Tax	301.0	374.6	+ 73.6	+ 24.5
Sugar Tax	142.2	137.3	- 4.9	- 3.4
Beer Tax	142.3	179.6	+ 37.3	+ 26.2
Alcohol Monopoly	92.5	116.2	+ 23.7	+ 25.6
Total	1 092.1	1 435.7	+ 343.6	+ 31.5

In two instances, the taxes have been raised: the Beer Tax was increased between the two half years (as at January 1, 1927) by about 50 per cent, and the duty on potable spirit by RM 50 per hectolitre on and after June 1, 1927.

The reduction in the Sugar Tax will not be directly felt until October 1927, but probably it has already been indirectly reflected in a falling-off in sales in the weeks preceding the application of the new duties, a circumstance which would explain the deficit.

c) Other taxes : non-recurrent Income Taxes and non-assigned taxes on consumption.

In the aggregate, these minor taxes show a reduction of RM 16.2 millions for the first six months of 1927-28 as compared with the corresponding period of 1926-27.

This reduction in the non-recurrent taxes is chiefly to be attributed to the reduction in the Tax on Bonds and Debentures (Obligationssteuer) due to the gradual resumption of the service of revalorised bonds.

In the case of the taxes on consumption, the reduction is principally due to the abolition of the tax on non-sparkling wines and of the Salt Tax: these

taxes were abolished as from April 1, 1927, but the financial year 1926-27 has still derived fairly substantial receipts from both (16.2 millions and 1.5 million for the first six months).

*

* *

This comparison shows the enormous increase in receipts in the space of one year. The few changes which have taken place within this period, either in the dates of payment or in the rates of the taxes, have hardly affected the total yield, the increases (two instalments in lieu of one for the Tax on Real and Personal Property, increase in the Beer Tax and in the Alcohol Duty) being largely counterbalanced by other measures involving reductions (reduction and alteration of the due dates for payment of the Turnover Tax, reduction in the Tax on Bourse Transactions, abolition of the Wine and Salt Taxes). In these circumstances, the surplus recorded reflects on the one hand increased economic activity, - the "Hochkonjunktur" characterising the year 1927, and on the other the great elacticity of the receipts and their steady advance: the present period of prosperity has not been reflected in the returns of the more important taxes (Income - with the exception of the Tax on Salaries and Wages - Corporation Income and Real and Personal Property) of which the payments are assessed on the basis of the results for the previous year.

This comparison also rectifies the impression left by comparing the actual receipts with the Budget estimates. In the latter case the surplus of only one million for Income and Corporation Income taxes etc. appears to indicate that these taxes have not followed the advance in Customs and Taxes

on Consumption. In reality, the slight surplus is due to the estimates having been increased to a much greater extent than those for the the taxes on consumption. As compared with the receipts for 1926-27, the increase in the estimates amounts to 615.2 millions for Income, Corporation Income Taxes etc. and to only 4.2 millions for Customs and Taxes on Consumption. It will be remembered that, of this increase of RM 615.2 millions, 270 millions were added to the original estimates for Income and Corporation Income Tax at the time of the new financial adjustment with the States (Finanzausgleich). If we refer to the original estimates, we find that the surplus receipts as compared with the estimates amount to 136 millions for Income and Corporation Income Taxes etc. and remain at 230.7 millions for Customs and Taxes on Consumption. It was shown above that certain factors (alteration of due dates etc.) had temporarily reduced the returns, and it is clear that the yield of certain of these taxes cannot immediately reflect the movement of the taxable material. If all these factors are taken into consideration it will be seen that the proceeds of these taxes have been as satisfactory as those from other taxes.

VI. The results for the first half-year are very brilliant and show that the receipts, although partly to be ascribed to the favourable economic position, are following a rapid upward trend. Even if there is a slackening in economic activity in the course of next year, the proceeds of the taxes assessed on the results for the previous year will counteract, at least to some extent, any decline in the other taxes reflecting the position.

As regards the second six months of the financial year, there is a possibility of reduced returns from certain taxes (Tax on Salaries and Wages, Sugar Tax, Customs), whereas other taxes will probably yield higher receipts

(Corporation Income Tax, Tax on Real and Personal Property, Turnover Tax). For this reason we can but associate ourselves with the conclusion of the official communiqué : "briefly, it may be said that the total receipts of the taxes of the Reich for the first half of the financial year 1927-28 justify the favourable opinion hitherto expressed on the revenue from taxation".

(signed) L. GAILLET BILLOTTEAU.

Transl. 5022.

QW. DR.

I.I.9.343 DOC. 273

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 7, 1927.

FINANCES OF THE REICH

PUBLIC DEBT OF THE REICH AS AT SEPTEMBER 30, 1927.

(Cf. DOC. 269)

I. The total figures of the Public Debt of the Reich as at August 31, and September 30, 1927 (see Wirtschaft und Statistik No. 20) were as follows. The details of the various items for each month of the period are shown in the Annex.

	(millions of RM)
As at August 31, 1927	4,331.0
As at September 30, 1927	4,329.4
Reduction during this period	1.6

II. Variations in the different items.

The debt of the Reich to the Rentenbank has fallen by RM 1.4 million, being the amount of the payment by owners of mortgaged land.

The variations in the other items of the Debt are due to fluctuations in foreign exchange rates.

Wirtschaft und Statistik indicates however that "some K bonds and bonds of the Italian tranche of the external loan 1924 were redeemed during September".

PUBLIC DEBT OF THE REICH
(in millions of RM*)

	Aug.31, 1927	Sept.30, 1927
I. GOVERNMENT BONDS		
Old paper mark debt, revalorised under Law of July 16,1925 (provisional) ...	1,742.1	1,742.1
5 per cent loan issued February 1927, under Laws of March 31, 1926, and January 8, 1927 (RM 500 millions, nominal)	470.0	470.0
Total Government Bonds	2,212.1	2,212.1
II. TREASURY BONDS AND BILLS		
Gold loan 1932, issued under Law of June 4, 1923	1.3	1.3
Gold loan 1935, issued under Law of August 14, 1923	18.8	18.8
"K" bonds,issued under Law of July 11, 1923	0.6	0.6
Reichsmark bills; short term Treasury obligations	-	-
Total Treasury bonds and bills ..	20.7	20.7
III. BANK LOANS		
From Rentenbank, authorised under Decree of October 15, 1923	845.9	844.5
From Reichsbank	208.4	208.4
Total bank loans	1,054.3	1,052.9
IV. MISCELLANEOUS		
Guarantees given by the Reich, chiefly for food supplies during and after the war, mainly in foreign currencies ...	50.9	50.9
"Meliorationskredit" - obligations arising out of credits to agriculturalists	12.0	12.0
Loan from the Post Office	60.0	60.0
Other obligations	9.4	9.4
Total miscellaneous	132.4	132.3

* Differences in the totals are due to the rounding off of the figures

	Aug.31, 1927	Sept.30, 1927
V. GERMAN EXTERNAL LOAN 1924		
Series in :		
Dollars	422.4	422.2
Pounds sterling	428.2	428.3
Swedish crowns	27.5	27.5
Lire	21.6	21.7
Swiss francs	11.8	11.7
Total	911.5	911.4
GRAND TOTAL	4,331.0	4,329.4

TRANSFER COMMITTEE
ECONOMIC SERVICE

BERLIN, November 5, 1927.

THE TEXT OF THE NEW DIRECTIVES FOR THE ADVISORY OFFICE.

The new regulations for the contracting of foreign loans by the States, Communes and Associations of Communes having been officially approved by the States, are now officially published by the Finance Ministry of the Reich. The document is reproduced in extenso below. The passages containing material amendments, as compared with the old provisions are underlined. According to the newspapers, the representative of the Reich has again affirmed in the final Protocol that the Reich (although not subject to the control of the Advisory Office) when contracting foreign loans will also proceed on the lines laid down in the Regulations.

A.

I. The States agree that in order to maintain the stability of the currency and on general political grounds, the contracting of foreign loans by public bodies should be strictly limited. The States therefore mutually undertake, when contracting short and long-dated foreign loans, to observe for a provisional period of two years the following regulations or to see that they are observed.

II. The Regulations shall apply:

1. to the foreign loans of the States, Communes and Associations of Communes, whether directly contracted or indirectly by public or private banking institutions or by Communal (Giro) Clearing Associations or are obtained in any other way;

2. to the sale abroad of <u>complete blocks of Communal Bonds</u> of Credit Institutions whose functions include the satisfying of Communal credit requirements;

3. to any guarantee or security assigned for the benefit of third parties - either vis-à-vis the lender or the borrower - by the States, Communes and Associations of Communes and to foreign loans for which a guarantee or security assigned by a State, Commune or Association of Communes is already in force, save where it is a question of the sale of bonds of public credit institutions for the benefit of mortgage credit, unless the proceeds are destined for industrial loan requirements.

III. In principle, none of the above mentioned foreign loans may be contracted unless, apart from the observance of

the provisions indicated under B and C, economic and currency conditions also permit.

B.

The contracting of foreign loans, which conform with the following conditions under I - IV shall be considered as relatively unobjectionable; they shall be subject to the procedure indicated under C only where the Advisory Office considers their discussion expedient on economic and currency grounds and has notified the States to that effect.

I. FORM OF LOAN.

1. Long-dated loans, that is to say, loans which are contracted for at least 10 years, but may be called by the debtor after not more than five years;

2. short-dated foreign loans contracted by the States for not more than one year, and solely for the provisional swelling of working funds (Betriebsmittel), provided the States in a formal declaration to the Advisory Office guarantee that repayment will be made without fail on maturity and that there will be no question of conversion into a long-dated loan. (The nominal amount, the conditions and the creditor's

name shall be notified to the Advisory Office not later than eight days after conclusion).

3. Short-dated foreign loans of the Communes and Associations of Communes shall without exception be subject to the procedure indicated under C.

II. MAXIMUM CHARGE.

The annual maximum charge to be fixed by the Advisory Office in accordance with D, paragraph 4, calculated on the basis of the net proceeds after allowing for discount upon issue and having regard to the sinking fund conditions, commissions to intermediary parties and any other expenditure, shall not be exceeded.

III. UTILISATION OF THE FOREIGN LOANS.

1. Any foreign loans contracted by the States, Communes or Associations of Communes must be used for the contracting party's own purposes, or for those of one of the public bodies indicated under A. In particular they shall not be passed on to physical persons or bodies corporate under private law.

2. Without prejudice to the provisions under B I,2, foreign loans must be used for directly productive ends, that is to say, only for such

profit earning investments as by the direct production of values guarantee out of their own income the interest and sinking fund payments on the capital invested, without having recourse to the general income of the public body. It is important that the investments, either by increasing exports or by restricting imports or in some other way, should directly or indirectly serve to promote the economic interests of the Reich as a whole; local interests in themselves are not sufficient justification.

3. The investments must be urgent in the sense that the projected expenditure cannot be postponed.

IV. GUARANTEEING OF FOREIGN LOANS.

The conditions shall not provide for specific pledges of any kind, nor shall they involve any other businesses, such as for example the sale of products of Government enterprises.

C.

Before contracting foreign loans falling under A II, if such loans do not conform with the conditions under B, I-IV, or if the Advisory Office considers their discussion desirable

on economic and currency grounds and has notified the States to that effect (B, paragraph 1), as well as before selling Communal Bonds abroad and before contracting foreign loans involving guarantees or security under A, II, 3, the Government of the State concerned shall, on its own behalf or on behalf of its Communes or Associations of Communes, Giro clearing houses and other credit institutions indicated under A II, consult the Advisory Office, which shall examine not only whether the loan in question is unobjectional but also whether it is advisable on economic and currency grounds. When examining the purpose of the loan the Advisory Office shall in principle observe the regulations laid down in B III.

The States are entitled to make verbal representations to the Advisory Office in regard to the proposed borrowing. If any State consults the Advisory Office on behalf of one of its Communes etc. (Paragraph 1), the application shall be accompanied by its own considered opinion.

D.

The Advisory Office is a confidential Committee of the States, and consists of experts. It is composed as follows:

1. an expert to be appointed by the Finance Minister of the Reich, who shall act as Chairman,
2. an expert to be appointed by the Ministry

of the Reich for Economic Affairs,

3. an expert to be appointed by the Reichsbank-Direktorium;

as experts appointed by the States:

4. the President of the Preussische Staatsbank,

5. the President of the Bayerische Staatsbank,

6. on each occasion a Government representative of the State asking for advice.

Deputies may be appointed for the experts indicated under 1-5; the experts indicated under 4 and 5 shall appoint their own deputies. Resolutions of the Advisory Office shall be carried by a majority of votes. In questions relating to the Standing Orders if the yeas and noes are equal, the Chairman shall have the casting vote. The Management shall be in the hands of the Finance Ministry of the Reich. The Advisory Office shall draw up Standing Orders which shall be communicated to the Reichsrat.

If an application for the approval of a proposed loan is accepted against the vote of one of the experts named under 1-3, the expert in the minority may at the meeting request a further discussion of the application. Such a request may also be made by the representative of the State asking advice, if the Advisory Office has not wholly or partly recommended

the foreign loan submitted for approval, such request to be lodged within 3 working days. In such cases, the Finance Minister of the Reich, the Minister of the Reich for Economic Affairs, and the President of the Reichsbank-Direktorium shall replace the experts under 1-3. The Ministers of the Reich and the President of the Reichsbank-Direktorium may only be represented by their permanent deputies pro tempore. Re-examination of the loan shall take place within one week after the first examination. In the event of re-examination the application shall invariably be discussed as a whole. The members of the Advisory Office are required to observe secrecy as regards the proceedings; in particular, the proportion of votes recorded for any decision and the name of the expert at whose request the application was reconsidered, shall be confidential.

No proposed loan shall be considered as approved until the Management has notified the State which has consulted it; the view of the Advisory Office as indicated in its report shall be communicated as soon as possible to the Finance Minister of the Reich and the Government of the State concerned.

To keep pace with developments, the Advisory Office shall constantly examine the conditions indicated under B, consider any objection to their application which may have arisen, and, if necessary, propose amendments to the States. The maximum rates for the charges in respect of the loan (B II)

shall be independently fixed by the permanent members of the Advisory Office according to circumstances. In addition it is one of the functions of the Advisory Office to watch the foreign money markets and, where possible, to supply information, for example regarding the reliability of persons acting as intermediaries for the negotiation of loans. The States are under the obligation to keep the Advisory Office informed as to their experience and to communicate to it the nominal amount, the conditions, the object and the name of the creditor in the case of any foreign loans contracted by them or by their public bodies, Giro clearing houses or other credit institutions under A, in so far as these do not otherwise require to be notified to the Advisory Office. The Advisory Office shall give the States the benefit of its experience.

Transl. 5069.
CG.

I.I. 9 321 DOC. 275

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 21, 1927.

FINANCES OF THE REICH.

TAX RECEIPTS OF THE REICH FOR OCTOBER 1927.

(Cf. DOC. 272)

The Deutscher Reichsanzeiger No. 270 of November 18 publishes the summary of the tax receipts of the Reich for October 1927.

I. AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the various categories of taxation for October 1927, as compared with the receipts for the corresponding month of the previous year and of the preceding quarter (October 1926 and July 1927), together with the total receipts for the first seven months of the financial years 1926/27 and 1927/28

(In millions of Reichsmarks)

Aggregate receipts	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly average	Oct. 1926	July 1927	Oct. 1927	Total for the first seven months of the financial year: 1926/27	1927/28
I. Income, Corporation Income and Turnover Taxes etc.:							
a) recurrent	5 280.0	440.0	523.6	670.2	714.9	2 736.0	3 355.9
b) non-recurrent	25.0	2.1	11.3	2.5	4.0	34.2	21.1
II. Customs and Taxes on Consumption etc.:							
a) assigned	2 410.0	200.8	202.4	272.0	247.7	1 294.5	1 683.4
b) other	35.0	2.9	3.7	3.4	3.9	35.7	25.5
III. Miscellaneous	-	-	-	-	-	0.2	-
Total	7 750.0	645.8	741.0	948.1	970.5	4 100.6	5 085.9

The receipts for October (RM 970.5 millions) constitute the maximum obtained for any one month since the stabilisation. The receipts for the first month of each quarter are invariably very high as a result of the payment of quarterly and provisional instalments in respect of Income, Corporation Income and Turnover Taxes. The receipts for October, as compared with those for July which had been swelled by exceptional Customs returns (cf. DOC. 265) represent an increase of 22.4 millions and are therefore particularly satisfactory.

II. REVENUE FROM INCOME, CORPORATION INCOME AND TURNOVER TAXES ETC.

(In millions of Reichsmarks)

	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly average	Oct. 1926	July 1927	Oct. 1927	Total for the first seven months of the financial year: 1926/27	1927/28
Income Tax:							
a) on salaries and wages (amount deducted at source)	1 200.0	100.0	95.9	114.1	123.9	626.4	764.6
b) on interest and dividends (amount deducted at source)	120.0	10.0	8.4	16.1	14.6	63.6	91.6
c) general assessment, after above deductions	1 300.0	108.3	182.7	188.0	220.1	690.0	831.0
Together	2 620.0	218.3	387.0	318.2	358.6	1 380.0	1 687.2
Corporation Income Tax	400.0	33.3	68.1	88.0	88.0	265.9	327.6
Tax on real and personal property	470.0	39.2	10.2	11.4	10.1	126.5	210.0
Turnover Tax	900.0	75.0	87.8	168.3	180.9	510.0	552.7
Tax on Bourse Transactions	66.0	5.5	5.3	5.3	4.0	34.3	47.1
Transport Tax	325.0	27.1	28.2	32.0	30.7	187.5	211.9
Other taxes *	499.0	41.6	37.0	47.0	42.6	231.8	319.4
Total	5 280.0	440.0	523.6	670.2	714.9	2 736.0	3 355.9

* The item "Other taxes" is composed as follows:

Automobile Tax	130.0	10.8	8.0	17.7	12.9	66.6	101.6
Tax on Bills of Exchange	45.0	3.8	3.2	3.7	4.2	20.0	26.6
Miscellaneous taxes	324.0	27.0	25.8	25.6	25.5	145.8	191.2

The Tax on Salaries and Wages which in general covers 26 working days (period September 16 to October 15) has steadily increased; the proceeds for October amount to RM 123.9 millions and represent an increase of 8.9 millions over the receipts for September. The average per working day works out at 4.8 millions for October as against 4.3 for September, 4.2 for August, 4.4 for July, etc. As already explained, any comparison of the receipts per working day can only be approximate (cf. DOC. 267).

A provisional instalment of Income Tax levied by general assessment and of Corporation Income Tax fell due in October. Whereas the instalment of Corporation Income Tax coincides with the figure for July (88.0 millions), that of Income Tax has increased by 32.1 millions (220.1 as against 188.0 millions).

The receipts from the Tax on Real and Personal Property merely represent late payments of the instalments due on August 15 1927.

The quarterly instalment of Turnover Tax, maturing in October, which relates to business transacted in July, August and September, marks an increase of 12.6 over the receipts for July. In the aggregate, the receipts collected for the months August to October (238.2 millions) in respect of business transacted in the second quarter of the financial year show an increase of about 6.5 per cent over the receipts collected on business transacted in the first quarter (223.6 millions).

The volume of business, computed on the basis of the returns from this tax and allowance being made for the variations in the rate of the tax, shows for the third as for the first two quarters a substantial increase as compared with the corresponding period of the preceding years.

Estimated volume of business.

(In millions of RM)

	1924	Percentage of the quarterly average for 1925	1926	Percentage of the quarterly average for 1925
1st quarter	15 121	57.3	23 999	90.9
2nd "	16 892	64.0	26 758	101.4
3rd "	19 265	73.0	27 973	106.0
4th "	24 722	93.7	30 836	116.8
	1925		1927	
1st quarter	25 112	95.1	28 586	108.3
2nd "	25 294	95.8	29 809	112.9
3rd "	25 962	98.4	31 755	120.3
4th "	29 202	110.6		

The Tax on Bourse Transactions is still declining (4.0 millions in October as against 4.1 millions in September) as a result of the stagnation on the Bourse.

The Transport Tax shows a considerable falling off as compared with the September returns (30.7 as against 34.2 millions). The reduction is entirely attributable to the decrease in passenger traffic (- 3.6 millions), the goods traffic receipts remaining practically steady (RM 14.9 to 15 millions).

The Automobile Tax yielded 12.7 millions for October, a slight advance as compared with the receipts for September (12.4 millions).

III. CUSTOMS AND TAXES ON CONSUMPTION (ASSIGNED).

(In millions of RM)

	Estimated revenue		Receipts collected				
	Financial year 1927/28	Monthly Average	Oct. 1926	July 1927	Oct. 1927	Total for the first seven months of the financial year: 1926/27	1927/28
Customs	890.0	74.2	76.7	146.6	102.9	490.8	731.0
Tobacco Tax	700.0	58.3	73.3	63.5	68.8	374.3	443.4
Sugar Tax	275.0	22.9	15.5	16.9	19.7	157.7	157.0
Beer Tax	335.0	27.9	21.9	30.5	37.8	164.2	217.3
Alcohol Monopoly	210.0	17.5	15.0	14.4	18.5	107.5	134.7
Total	2 410.0	200.8	202.4	272.0	247.7	1 294.5	1 683.4

The receipts from the Customs and Taxes on Consumption etc. (assigned) still remain very high and show an increase of 4.8 millions as compared with those for September. The returns for July cannot be taken as a basis of comparison; as explained above, these receipts were exceptionally augmented by semi-annual Customs instalments.

The Customs show a substantial advance over the September receipts (102.9 millions as against 95.7 millions), due to (1) imports of cereals and (2) imports of finished products in anticipation of the Christmas demand.

The receipts from the Sugar Tax for October - relating to the August turnover - show a falling-off of only 1 million as compared with the returns for September (July turnover). This is a very slight margin,

if it is recalled that the rate of the tax was reduced by 50 per cent on and after August 1 (cf. DOC. 268). The July turnover showed a falling-off in anticipation of the reduced rates, while at the same time traders replenished their stocks in August. In the coming months the falling-off in receipts will be much more marked.

The receipts from the Beer Tax, which relate to the August turnover, are very high (37.7 millions) and exceed those for September by 1.3 millions. The returns from the Tobacco Tax (October: 68.8; September: 71.5) and the Alcohol Monopoly (October: 18.5; September: 18.6) are normal.

The official communiqué emphasizes the favourable results for October, while making due reserve for the future: "The aggregate receipts for October may be considered satisfactory. In the coming months the more or less favourable movement of tax receipts will depend on the economic position". It concludes as follows: "For the first seven months of the financial year RM. 5 085.9 millions have been collected in all, that is 565.1 millions more than seven-twelfths of the estimates for the whole year (RM. 7 750 millions). It should however be remarked that this period includes three months in which provisional instalments of the Income, Corporation Income and Turnover Taxes have fallen due, whereas the five remaining months will comprise only one such month. No definite conclusion can yet be drawn from this comparison as to the surplus over the estimates at the end of the financial year."

M.H.

Transl. 5120.

I.I.9.4140 DOC. 276

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 21, 1927.

THE BALANCE SHEET OF THE RENTENBANK AS AT OCTOBER 31, 1927.

(see DOC. 271)

The following is the comparison between the balance sheet of the Rentenbank as on October 31, 1927, and the balance sheet on as September 30, 1927 :

	Balance sheet of October 31, 1927 (in Rent.M.)	Difference (+ or -) as compared with that of Sept.30,1927 (in Rent.M.)
ASSETS		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on Sept.30,1927 Rent.M.1 699 844 000 as on Oct. 31,1927 " " 1 699 844 000		
Loan to the Reich	824 955 577.03	- 19 528 001.79
Outstanding credits	238 444 861.--	-
Other "debtors"	-	- 1 361 419.35
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	82 341 849.27	+ 2 577 445.12
Real property of the Bank	300 000.--	-
Office furniture and supplies	13 798.75	+ 1 294.30
Miscellaneous assets	3 381 767.25	- 18 590.--
LIABILITIES		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 021 245 100.--	- 19 528 002.--

	Balance sheet of October 31, 1927 (in Rent.M.)	Difference (+ or -) as compared with that of Sept.30,1927 (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	-
Rentenbriefe in circulation	156 000.--	-
Reserve profits	38 638 682.05	-
Reserves	6 220 804.58	+ 25 000.--
Miscellaneous liabilities	865.90	- 247.50

In October 1927 the following sums were paid into the Sinking Fund at the Reichsbank:

a) Rent.M. 4 528 001.79 from the owners of mortgaged land
b) Rent.M. 15 000 000.- amount of the quarterly payment of the Reich.

The items "Loan to the Reich" and "Rentenbank notes in circulation" have been reduced by the total of these two payments.

Since the application of the Law on the Liquidation of Rentenbank Notes (October 11, 1924) the following sums have been paid into the Sinking Fund:

Rentenmarks	195 044 423	in	virtue	of	§	7a	of	the Law
"	180 000 000	"	"	"	§	7b	"	"
"	71 999 338	"	"	"	§	7c	"	"
"	611 889 722	"	"	"	§	11	"	"
Total "	1 058 933 483							

Transl. 5137
QW.

I.I.9.4140 DOC. 277

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 22, 1927.

THE BALANCE SHEET OF THE RENTENBANK AS AT NOVEMBER 30, 1927

(see DOC. 276)

The following is the comparison between the balance sheet of the Rentenbank as on November 30, 1927 and the balance sheet as on October 31, 1927.

	Balance sheet of November 30, 1927 (in Rent.M.)	Difference as compared with that of Oct. 31, 1927 (in Rent.M.)
ASSETS		
Charge upon German agriculture	2 000 000 000.-	-
Rentenbriefe as on Oct.31,1927 Rent.M. 1 699 844 000 " " Nov.30,1927 " 1 699 844 000		
Loans to the Reich	816 957 379.03	- 7 998 198.-
Outstanding credits	-	-238 444 861.-
Other debtors	59 391 123.99	+ 59 391 123.99
Balance in hand. giro accounts, postal cheque accounts and accounts with other banks	36 079 553.45	- 46 262 295.82
Real property of the Bank	300 000.-	-
Office furniture and supplies	17 950.20	+ 4 151.45
Miscellaneous assets	57 041 379.54	+ 53 659 612.29
LIABILITIES		
Capital	2 000 000 000.-	-
Rentenbank notes in circulation	797 926 205.-	-223 318 895.-
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	-

	Balance sheet of November 30, 1927 (in Rent.M.)	Difference as compared with that of Oct. 31, 1927 (in Rent. M.)
Rentenbriefe in circulation	156 000.-	-
Credit of the Rentenbank Credit Institution	42 127 141.70	+ 42 127 141.70
Carried forward	38 638 682.05	-
Reserves	6 219 604.58	- 1 200.-
Miscellaneous liabilities	448 285.93	+ 447 420.03

In virtue of § 11 of the Law on the Liquidation of Rentenbank notes the Rentenbank had to pay to the Reichsbank before the end of November the sum of RM 268 444 861, representing the last one-third of "the outstanding credits" less RM 25 000 000 already repaid in March and April 1927. During the last few months the "outstanding credits" were only shown in the balance sheets to a value of RM 238 444 861, this being due to the fact that in June 1927 the Rentenbank paid over to the Rentenbank-Kreditanstalt RM 30 millions in the form of agricultural bills, representing the share of the Rentenbank-Kreditanstalt in the profits of 1926. Before the end of November the Reichsbank withdrew 215 320 697 rentenmarks from circulation; the balance of 53 124 164 RM remains available with the Rentenbank for the future withdrawal and destruction of rentenmarks. The sum corresponding to this credit with the Reichsbank is included in the balance sheet under the heading "Miscellaneous assets".

As RM 7 998 198, representing payments received in November from the owners of the mortgaged land, were paid into the sinking fund at the Reichsbank, the circulation of rentenmarks is shown in the balance sheet as having declined by 7 998 198 + 215 320 697 = 223 318 895 rentenmarks.

The total volume of rentenmarks redeemed at the Reichsbank since the coming into force of the Law on the Liquidation of Rentenbank notes (October 11, 1924) amounted at the end of November to Rent.M. 1 282 252 478, being distributed as follows :

Rentenmarks	203 042 621	in virtue of	§ 7a	of the	Law			
"	180 000 000	"	"	"	§ 7b	"	"	"
"	71 999 338	"	"	"	§ 7c	"	"	"
"	827 210 419	"	"	"	§ 11	"	"	"
"	1 282 252 378							

I.I.9.321 DOC. 278

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 4, 1928.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR NOVEMBER 1927

(see DOC. 275)

The Deutscher Reichsanzeiger No. 297 of December 20, 1927 publishes the summary of the tax receipts of the Reich for November 1927.

I. AGGREGATE TAX RECEIPTS

The following table shows the receipts from the various categories of taxation for November 1927, as compared with the receipts for the corresponding month of the previous year and of the previous quarter (November 1926 and August 1927) together with the total receipts for the first eight months of the financial years 1926-27 and 1927-28.

(millions of RM)

Aggregate tax receipts	Estimated revenues		Receipts collected				
	Fin. year 1927-28	Monthly average	November 1926	August 1927	November 1927	Total for the first eight months of the financial year	
						1926-27	1927-28
I. Income, corporation and turnover taxes etc.							
a) recurrent	5 280.0	440.0	398.6	410.2	435.0	3 134.6	3 790.9
b) non-recurrent ..	25.0	2.1	4.0	1.5	1.2	38.2	22.3
II. Customs and taxes on consumption etc.							
a) assigned.....	2 410.0	200.8	219.0	244.6	237.3	1 513.5	1 920.7
b) other	35.0	2.9	3.7	3.5	4.2	39.4	29.8
III. Miscellaneous	-	-	-	-	-	0.2	-
Total	7 750.0	645.8	625.3	659.8	677.7	4 725.9	5 763.7

The receipts of November, like those of the preceding months, are very satisfactory and exceed the monthly average estimated for the financial year by RM 31.9 millions, while they represent an increase of RM 17.9 millions on the returns for the corresponding month of the preceding quarter (August). The increase over and above the estimated monthly average is derived entirely from assigned customs and taxes on consumption (36.5 millions); the deficit of 5 millions in the recurrent taxes on income, sales, transport etc. is due to the absence of quarterly payments (except in the case of the tax on real and personal property).

II. RECEIPTS FROM INCOME, CORPORATION AND TURNOVER TAXES ETC.

(millions of RM)

	Estimated revenue		Receipts collected				
	Fin. year 1927-28	Monthly average	November 1926	August 1927	November 1927	Total for the first eight months of the financial year 1926-27	Total for the first eight months of the financial year 1927-28
Income tax:							
a) on salaries and wages (amount deducted at the source).....	1 200.0	100.0	97.7	111.2	124.5	724.1	889.1
b) on interest and dividends (amount deducted at the source)	120.0	10.0	4.6	3.3	4.2	68.2	95.8
c) general assessment (after above deductions)	1 300.0	108.3	71.6	88.3	90.9	761.6	921.9
Together ...	2 620.0	218.3	173.9	202.8	219.6	1 553.9	1 906.8
Corporation income tax	400.0	33.3	16.8	32.6	18.1	282.7	345.7
Tax on real and personal property	470.0	39.2	73.8	57.7	87.0	200.3	297.0
Turnover tax	900.0	75.0	66.5	31.9	36.4	576.5	589.1
Tax on bourse transactions	66.0	5.5	10.3	4.4	4.2	44.6	51.3
Transport tax	325.0	27.1	26.9	32.7	30.6	214.4	242.5
Other taxes*	499.0	41.6	30.4	48.1	39.1	262.2	358.5
Total	5 280.0	440.0	398.6	410.2	435.0	3 134.6	3 790.9
* The item "Other taxes" is composed as follows :							
Automobile tax	130.0	10.8	6.8	12.8	10.4	72.4	112.0
Tax on bills of exchange	45.0	3.8	3.1	3.9	4.2	23.1	30.8
Other taxes	324.0	27.0	20.5	31.4	24.5	166.7	215.7

The tax on salaries and wages, collected in respect of 26 working days (RM 124.5 millions) shows a slight increase as against the October receipts which also covered 26 working days (RM 123.9 millions). Since the beginning of the financial year the average amount collected per working day is as follows :

(in millions RM)

April 4.2	June 4.2	August 4.2	October 4.8
May 4.1	July 4.4	September .. 4.3	November ... 4.8.

As is known, this comparison is only approximate.

For the income tax and corporation income tax collected on the general assessment no payment was due in November. These taxes yielded RM 90.9 and 18.1 millions respectively as against RM 88.3 and 32.6 millions in August. Payments in respect of the corporation income tax were particularly high in August owing to the final settlement in respect of the tax for the year 1926.

The payments of the tax on real and personal property, which fell due in November, comprised both the quarterly payments for all tax-payers (including the agriculturalists) and the quarterly payment of the agriculturalists normally falling due on August 15, but carried forward to November 15, in virtue of the law (§ 15). This last circumstance explains the increase of the November receipts (RM 87.0 millions) as compared with August (RM 57.7 millions). As compared with the payment of May 1927 (RM 75.3 millions), which included all classes of tax-payers, the increase is only 11.7 millions, and appears to be less than might have been expected in view of the fact that this time the payment of the agriculturalists extended over six months. It may be assumed that remissions and extensions have been allowed on a rather large scale.

The turnover tax, no instalment of which was due in November, brought in RM 38.4 millions (as against 31.9 millions in August). It continues therefore to show an increased yield. In November 1926 the tax was still being paid monthly.

The tax on bourse transactions. (RM 4.2 millions) shows a slight increase over the October receipts (4.0 millions).

The transport tax shows the same amount in November (RM 30.6 millions) as in October (30.7 millions). The receipts for passenger traffic fell off by 1 million, while goods traffic receipts increased by 0.9 million.

The automobile tax yielded RM 10.4 millions (as against 12.9 millions in October), representing the customary seasonal reduction at this period.

III. ASSIGNED CUSTOMS AND TAXES ON CONSUMPTION

	Estimated revenue		Receipts collected				
	Fin. year 1927-28	Monthly average	November 1926	August 1927	November 1927	Total for the first eight months of the financial year	
						1926-27	1927-28
Customs	890.0	74.2	76.6	93.2	99.3	567.4	830.2
Tobacco tax	700.0	58.3	73.5	65.4	68.1	447.8	511.5
Sugar tax	275.0	22.9	29.8	32.8	14.4	187.5	171.5
Beer tax	335.0	27.9	20.1	34.2	33.3	184.3	250.6
Alcohol Monopoly	210.0	17.5	19.0	19.0	22.2	126.5	156.9
Total	2 410.0	200.8	219.0	244.6	237.3	1 513.5	1 920.7

The receipts from assigned customs and taxes on consumption are still very high (RM 237.3 millions in November), although there is a fall of 10.4 millions compared with the figure for October (247.7 millions). These last receipts had been exceptionally high in the case of the customs (RM 102.9 millions) owing to imports of grains and finished manufactured products, and in the case of the tax on sugar (RM 19.7 millions) owing to the replenishing of stocks in August after the reduction in the duties, and also in the case of the tax on beer (RM 37.7 millions) due to the sales in August (seasonal increase).

Allowing for all these circumstances, the November receipts may be said to be still very satisfactory.

A comparison between these figures and the figures for November 1926 and August 1927 show generally speaking a considerable improvement, except in the case of the sugar tax, the rate of which has been reduced as from August 1, 1927, the effects of the reduction being felt as from October (DOC. 275).

*

* *

For the first eight months of the financial year, the total receipts amount to RM 4 725.9 millions as against the estimates for the whole of the financial year amounting to RM 7 750. The official communiqué notes that the results of the first eight months exceed by 597 millions the 8/12ths of the total estimates, and consequently November points to favourable results for the financial year as a whole. Nevertheless, it should not be forgotten that these first eight months include three particularly good months (April, July and October), whereas the four remaining months only contain one such month (January), and that moreover the receipts from the tax on wages which have furnished hitherto 15.4 per cent of the total receipts will be appreciably reduced as from January 1, 1928 as a result of the following factors :

(1) of the reduction in the number of employed during the winter months;

(2) the reimbursement of sums collected in excess in 1927;

(3) the application of the new law in which provision is made for a reduction of 15 per cent in the amounts collected, at the rate of RM 2 per month as a maximum.

This explains why the Finance Ministry takes account in its estimates only of a surplus of RM 300 - 350 millions.

M.H.

Trans. 5243.
DR.

I.I.9.321 DOC. 278

TRANSFER COMMITTEE

ECONOMIC SERVICE

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR NOVEMBER 1927.

C O R R I G E N D U M

(only English text)

Page 5, line 8 : read 5 763.7 million RM
instead of 4 725.9 million RM.

I.I.9.322 DOC. 279

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 9, 1928.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH FOR SEPTEMBER 1927 AND FOR THE FIRST SIX MONTHS OF THE FINANCIAL YEAR 1927-28.

(Cf. DOC. 270)

The Deutscher Reichsanzeiger No. 277 of November 26, 1927, published the statement of receipts and payments of the Reich for September 1927 and for the first six months of the financial year 1927-28. There has been no change in the form of the statement. The composition of authorised expenditure however (1927-28 budget estimates plus expenditures outstanding from 1926-27) is indicated for each item of the ordinary expenditure. The translation, repeating the figures for April to August 1927, is given below and is followed by the observations to which it gives rise.

I. STATEMENT OF RECEIPTS AND PAYMENTS OF THE REICH for April to September for the financial year 1927-28.

(millions of RM)

A. ORDINARY BUDGET	Estimates (including outstanding expenditures)	April-August 1927	September 1927	Total of first 6 months
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926				
a) to meet outstanding payments of the financial year 1926 (outstanding payments less outstanding receipts)	348.5			
b) net surplus from the financial year 1926	199.5			
	548.0			
II. RECEIPTS (Receipts as estimated in the 1927 budget: 8 659 millions*, plus revenues outstanding from 1926: 74.5 millions = total estimate: 8 733.5 millions).				
1. Taxes, customs and dues		3 533.6	581.8	4 115.4
2. Seigniorage on the coinage		0.8	5.6	6.4
3. Surplus from the postal service and printing office of the Reich		70.0	-	70.0
4. Dividend on the shares of the German Railway Company owned by the Reich		29.9	-	29.9
5. Miscellaneous administrative receipts		86.9	13.4	100.3
Total receipts		3 721.2	600.8	4 322.0
III. PAYMENTS (Payments as estimated in the 1927 budget: 8 659 millions*, plus payments outstanding from 1926: 423 millions = total estimate: 9 082 millions).				
1. Transfers of taxes to the Federal States	2 892.2	1 197.7	161.1	1 358.8
2. Salaries	699.0	295.5	56.9	352.4
3. Pensions	1 511.5	630.1	125.0	755.1
4. Social insurance	327.7	110.7	24.6	135.3
5. Unemployment relief	450.0	109.4	12.3	121.7
6. Army - payments for material	391.8	113.1	18.1	131.2
7. Navy - payments for material	160.5	48.9	15.2	64.1
8. Communications	161.0	56.0	11.2	67.2
9. Public debt: interest and sinking fund	129.1	41.9	1.6	43.5

* "The estimated total for receipts and payments is 1.7 millions higher than the budget total for 1927. This is due to the manner in which war charges are shown in the budget. Up to the present only their net deficit has been shown in the budget, that is to say, revenues under this head have been deducted. As the figures for the receipts and payments of the war charges budget appear in the above table at their gross amount, the gross figures of the budget estimates have likewise been given, to allow of a better comparison."

(millions of RM)

	Estimates (including outstanding expenditures)	April-August 1927	September 1927	Total of first 6 months
10. Public debt: revalorised debt	512.8	122.4	18.7	141.1
11. Safety police	190.0	78.9	15.8	94.7
12. Internal war charges	234.0	72.3	13.8	86.1
13. Reparation payments	831.2	316.1	96.5	412.6
14. Miscellaneous	597.7	300.6	47.9	348.5
Total payments	9 082.0	3 493.6	618.7	4 112.3
Deficit		-	17.9	-
Surplus		227.6	-	209.7
B. EXTRAORDINARY BUDGET				
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926				
Excess of payments over receipts which has to be met out of the yield from subsequent loans	- 290.0			
II. RECEIPTS				
(Receipts estimated in the 1927 budget :	9.8			
Loans estimated	466.4			
Total estimated receipts	476.2)			
1. Administrative receipts		1.1	0.2	1.3
2. Yield from the 5 per cent loan 1927		101.4	-	101.4
Total receipts		102.5	0.2	102.7
III. PAYMENTS				
(Payments estimated in the 1927 budget: 476.2 millions. In addition 281.6 millions of payments outstanding from the financial year 1926-27 which have to be met, together with the 290 millions mentioned above, out of the yield of subsequent loans).				
1. Productive unemployment relief		29.8	17.5	47.3
2. Communications		37.8	6.0	43.8
3. Internal war charges		13.3	1.4	14.7
4. Reparation payments		9.1	8.4	17.5
5. Miscellaneous		131.7	24.5	156.2
Total payments		221.7	57.8	279.5
Deficit		119.2	57.6	176.8

B A L A N C E

A. ORDINARY BUDGET:	
1. Brought forward from the financial year 1926	548.0
2. Surplus April-September 1927	209.7
	757.7
B. EXTRAORDINARY BUDGET:	
1. Brought forward from the financial year 1926	- 290.0
2. Deficit April- September 1927	- 176.8
	- 466.8
Balance	290.9

REMARKS. Out of the proceeds from taxation in September 1927, RM 76.9 millions were transferred to the Federal States in October.

II. OBSERVATIONS.

A. ORDINARY BUDGET.

The balance of receipts and payments for September shows a deficit of RM 17.9 millions. As compared with the figures for August, the considerable fall in the September receipts and payments (77.3 and 90.7 millions) is normal, especially for receipts, since the returns for the last month of each quarter are always small.

In the case of receipts, the fall is explained by the absence of anticipatory payments on the big taxes (cf. DOC. 272). In September RM 5.6 millions were received as seigniorage on the coinage - which produced only 0.8 millions during the first 5 months of the financial year - and 13.4 millions as miscellaneous receipts, as against 18.2 millions in August.

Among the payments, the transfers to the Federal States have fallen by RM 122.7 millions and work out at 161.1 millions. 76.9 millions had still to be paid at the end of September in respect of taxes for the month, whereas 38.5 millions were paid during September as the balance still due for August. The transfers for September would thus in reality total RM 199.5 millions and the real deficit for the month would be raised from 17.9 to 56.3 millions (17.9 + 76.9 - 38.5).

The reparation payments are made up as follows:

third annuity:		
supplementary contribution	34.8	millions
transport tax	20.0	"
fourth annuity:		
budgetary contribution	41.7	"
together	96.5	"

The 34.8 millions of the supplementary contribution for the third annuity were in reality paid on August 31 and appear in the statement of receipts and payments of the Agent General under that date. They do not appear among the payments of the Reich until the September statement.

The miscellaneous payments increase from 36.1 to 47.9 millions; there are no important changes in the other items.

B. EXTRAORDINARY BUDGET.

During September only 0.2 millions were received in respect of miscellaneous administrative receipts.

The payments total 57.8 millions, an increase of 19.7 millions over the figure for August. This difference is due to the increase in payments for productive unemployment relief (+ 12.1 millions), and in miscellaneous payments (+ 4.6 millions), while there is also an increase in the reserve of the Commissioner of Controlled Revenues (+ 6.6 millions) taking effect as from the first month of the fourth reparation year.

The deficit of the extraordinary budget is thus RM 57.6 millions for September, the deficit of the ordinary and extraordinary budgets together being 75.5 millions (113.9 millions taking into account the transfers to the Federal States still outstanding as at the end of September).

III. COMPARISON OF THE RECEIPTS AND PAYMENTS FOR THE FIRST SIX MONTHS OF THE FINANCIAL YEAR 1927-28 WITH THE ESTIMATES.

A. ORDINARY BUDGET.

Assuming the budget estimates to be equally distributed over the two halves of the financial year, the receipts collected during the first six months would exceed the estimates by 150.2 millions and the payments would be reduced by 428.7 millions (the latter figure being reduced to 351.8 millions, taking into account the transfers still to be made to the Federal States).

At the end of the first half year, the ordinary budget closes with a surplus of 209.7 millions (reduced to 132.8 millions by the transfers to the Federal States due but not yet made).

This surplus is obtained without including in the actual receipts the sums transferred to balance the 1927-28 budget: appropriation of 190 millions from the working fund, surplus of 200 millions from the financial year 1926-27. The Minister states that these sums will not be included in the accounts until the close of the financial year.

The following table shows the amounts by which the receipts have exceeded or fallen short of the estimates:

	Estimates				Receipts April-Sept. 1926-27	Plus (+) or minus (-) as compared with the estimates
	1927-28 budget	Revenues outstanding from 1926-27	Total	For 6 months		
1.Taxes,customs & dues	7 750.0	-	7 750.0	3 875.0	4 115.4	+ 240.4
2.Seigniorage on the coinage	190.0	-	190.0	95.0	6.4	- 88.6
3.Surplus from the postal service and printing office of the Reich	74.8	70.0	144.8	72.4	70.0	- 2.4
4.Dividend on Reichsbahn shares	51.1	-	51.1	25.6	29.9	+ 4.3
5.Miscellaneous administrative receipts	203.1	4.5	207.6	103.8	100.3	- 3.5
Together	8 269.0	74.5	8 343.5	4 171.8	4 322.0	+ 150.2
Appropriation from working fund of the Reichshauptkasse	190.0	-	190.0			
1926 surplus	200.0	-	200.0			
Total	8 659.0	74.5	8 733.5			

The excess returns noted are derived almost entirely from taxation. An enquiry into tax receipts was made in DOC. 272.

Up to the present there have been unforeseen difficulties in the way of the minting of coins, but in October and November the issue was considerably increased.

In regard to the surplus from the postal service and the printing office of the Reich, it should be noted that the 70 millions received during the first half of the year represent the profit of the postal service for the financial year 1926 which was shown in the budget accounts for 1926-27 under "outstanding revenues". The 70 millions included in the budget of the Reich for 1927-28 will not be received until the financial year 1928-29, under the heading of revenues outstanding from the financial year 1927-28. The surplus from the printing office of the Reich (4.8 millions) will probably be received during the current financial year.

The RM 29.9 millions representing the dividend on shares of the German Railway Company owned by the Reich are in respect of the 1926 dividend which appeared in the budget of the Reich for 1926-27. Although not received in full during that financial year, the dividends were not shown under "outstanding revenues". The dividends to the amount of 51.1 millions given in the budget of the Reich for the financial year 1927-28 will not be received until June 1928, in the course of the financial year 1928-29.

On a basis of the results for the first half year, the Ministry anticipates that for the whole year the receipts will exceed the estimates by RM 300 to 350 millions. A certain part of this sum (surplus from the postal service, dividend on Reichsbahn shares) will appear under the "outstanding revenues" transferred to the financial year 1928-29, with the result that the realizable surpluses will fall short of the total indicated.

In the case of payments, the Ministry for the first time shows the whole of the estimates for the year distributed among the various items (1927-28 budget estimates plus expenditures outstanding from the financial year 1926-27). The following table compares the estimates with the payments actually made.

(in millions of RM)

	1927-28 budget estimates + expenditures outstanding from 1926-27	Half of total estimate	Payments made	Surplus (+) or saving (-)
1.Transfers of taxes to the Federal States	2 892.9	1 446.5	1 358.8	- 87.7
2.Salaries	699.0	349.5	352.4	+ 2.9
3.Pensions	1 511.5	755.8	755.1	- 0.7
4.Social insurance	327.7	163.8	135.3	- 28.5
5.Unemployment relief	450.0	225.0	121.7	- 103.3
6.Army - payments for material	391.8	195.9	131.2	- 64.7
7.Navy - payments for material	160.5	80.3	64.1	- 16.2
8.Communications	161.0	80.5	67.2	- 13.3
9.Public debt: interest and sinking fund	121.9	60.9	43.5	- 17.4
10.Public debt: revalorised debt	512.8	256.4	141.1	- 115.3
11.Safety police	190.0	95.0	94.7	- 0.3
12.Internal war charges	234.0	117.0	86.1	- 30.9
13.Reparation payments	831.2	415.6	412.6	- 3.0
14.Miscellaneous	597.7	298.8	348.5	+ 49.7
Total payments	9 082.0	4 541.0	4 112.3	- 428.7

The saving of 428.7 millions as compared with the estimates is reduced to 351.8 millions if allowance is made for the transfers to the Federal States still outstanding.

The transfers to the Federal States, taking this outstanding balance into account, total RM 1 435.7 millions and thus fall short of the estimate by 10.8 millions. The official communiqué states however that up to the present no transfers have been made in respect of the tax on the formation and amalgamation of companies (company tax - Gesellschaftssteuer). For this tax the estimate for the whole year was 20 millions, or 10 millions for the half year. Leaving the company tax accordingly out of account the transfers in respect of the first half year would equal the estimates. The communiqué adds that the transfers for the whole year, calculated at the legal rate, will - if receipts continue at their present level - reach the budget estimate, so that recourse to the guarantee of the Reich will not be necessary.

The payments for salaries and pensions correspond to the estimates, but those for the second half of the year will be higher owing to the voting of the law increasing salaries and pensions.

The payments for social insurance reveal a saving of RM 28.5 millions as compared with the estimates. The payments usually increase in the second half of the financial year.

Owing to the improvement on the labour market, considerable saving in unemployment relief was possible during the first half of the year (RM 103.3 millions). The Reich will be relieved of a large part of these payments by the coming into force as at October 1 of the unemployment insurance law. It will only have to provide 4/5ths of the "emergency relief" and to supply the contribution to the insurance reserve fund (50 millions). The total payments for the financial year in respect of unemployment relief may be estimated at RM 250 millions and a saving of about RM 200 millions under this head is to be anticipated.

The payments for material for the army and navy and those for communications fall short of the estimate by RM 94.2 millions. The sums appropriated under these headings and not employed at the end of the financial year are mostly carried forward to the following financial year as "outstanding expenditures".

Although the payments for the public debt and for the revalorised debt revealed during the first half of the year a saving of 17.4 and 115.3 millions respectively as compared with the estimates, it does not appear that a similar saving can be definitively realised at the end of the financial year. In particular, heavy payments in respect of the revalorised debt fall due during the second half year and considerable payments for the cash settlement with small holders have still to be made.

The reparation payments correspond to the estimates.

There remains the marked increase in miscellaneous payments (plus RM 49.7 millions as compared with the estimates). This item includes the outlay for constructional work carried out during the summer as well as the indemnity granted for floods or damage to crops. For this latter item the necessary appropriations are to be asked for in the coming supplementary budget.

Summarising these results, the Ministry anticipates a saving of about 200 millions on the payments as compared with the estimates. On the other hand, supplementary outlay not contained in the budget is to be authorised by a supplementary budget shortly to be presented,* (increase in salaries and pensions, indemnification of war victims, the victims of floods, etc.).

B. EXTRAORDINARY BUDGET.

For the extraordinary budget the Finance Ministry does not divide the authorised payments (1927 estimates, plus outstanding expenditures) among the several items. On a basis of the 1926-27 appropriation accounts and the 1927-28 budget, the following division may be made, by comparison with the payments for the first half year:

EXTRAORDINARY BUDGET (in millions of RM)	1927-28 budget estimates	Revenues and expenditures outstanding from 1926	Total	Half of total estimate	Actual payments	Difference
RECEIPTS						
Administrative receipts	9.8**	0.1	9.9	4.9	1.3	- 3.6
Loans	466.4	571.5	1 037.9	519.0	101.4	- 417.6
Total	476.2	571.6	1 047.8	523.9	102.7	- 421.2
PAYMENTS						
1. Productive unemployment relief	130.0	130.0	260.0	130.0	47.3	- 82.7
2. Communications	82.1	28.9	111.0	55.5	43.8	- 11.7
3. Internal war charges	21.0	-	21.0	10.5	14.7	+ 4.2
4. Reparation payments	67.5	-	67.5	33.7	17.5	- 16.2
5. Miscellaneous	175.6	122.7	298.3	149.2	156.2	+ 7.0
Total	476.2	281.6	757.8	378.9	279.5	- 99.4

* The credits authorised in the supplementary budget will total about RM 350 to 400 millions.

** Including 5 millions transferred from the ordinary budget for the redemption of loans

The extraordinary budget, the resources of which are almost entirely borrowed, received during the first half year - apart from miscellaneous administrative receipts to the amount of 1.3 millions - only 101.4 millions in respect of the internal loan of February 1927 (revenues outstanding from the financial year 1926-27). The balance of the payments in respect of this loan (about RM 22 millions) should be collected during the second half year.

The payments for the first six months fall short of half the total estimate by 99.4 millions. This reduction is principally due to productive unemployment relief and the payments for communications (construction of canals and holdings in commercial undertakings). The sums not employed at the end of the financial year would normally, according to the budgetary practice hitherto in force, be carried forward for the most part as outstanding expenditures to the next financial year. The Ministry has however on several occasions indicated that outstanding expenditures will be very severely controlled and that every possible reduction will be made.

The internal war charges (construction of buildings in occupied territory) and miscellaneous payments exceed half the estimates by 4.2 and 7 millions respectively.

For reparation payments the sum shown in the budget will be completely absorbed at the end of the financial year, since the payments to the reserve of the Commissioner of Controlled Revenues increase for the last seven months of the year.

The miscellaneous payments comprise in particular the following items for which the authorised appropriations (1927-28 estimates and expenditures outstanding from 1926-27) are as follows:

	(millions of RM)
Loans for agricultural settlement	73.0
Extraordinary payments for the army and navy	60.6
Loans to the Federal States for the construction of dwelling houses	62.0
Payments for the construction of dwelling houses	19.4
Loans to the Reichsbahn :	
a) for works intended to combat unemployment	20.0
b) for the construction of railway lines already begun	30.0
Miscellaneous	33.3

Among the miscellaneous payments, the 20 million loan to the Reichsbahn to combat unemployment and 5 millions for Ruhr indemnities are not to be drawn upon, according to the Ministry, and have already been used to reduce the expenditure of the draft extraordinary budget for 1928-29, together with a further item of 5 millions (construction of railways of local interest) which is included under Communications (2). After deduction of these 30 millions, the total authorised expenditure will be reduced to RM 727.8 millions.

M. H.

Transl. 5227.
QW.

I.I.9.3351 DOC. 280

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 11, 1928.

FINANCES OF THE REICH

AMENDMENT OF THE INCOME TAX (TAX ON WAGES AND GENERAL TAX)

(Cf. DOC. 132 and 161)

I. The "Brüning" law of September 3, 1925, provided that "if the receipts from the tax on wages exceed RM 600 millions for two consecutive quarters, the Government of the Reich shall submit a bill for larger deductions to be made in respect of family allowances and the exemption limit". This provision took effect for the first time as from December 1925; the Government submitted a bill on December 4, which, after amendment, became the law of December 19, 1925 (see DOC. 161).

The net yield from the tax on wages during the period April 1, to September 30, 1927, again exceeded 600 millions (RM 640.7 millions). In October 1927 the Social-Democrat party put forward a proposal that the exemption limit be raised from RM 1200 to 1680, basing its demand on the Brüning law; the Centre party also demanded the application of this law. The Government for its part submitted "a bill amending the income tax" to the Reichsrat at the beginning of December.

The Government proposed as from January 1, 1928

a) the reduction of the rate of the tax on wages levied at the source from 10 to 9 per cent;

b) the increase of the amounts deducted in respect of dependents, the increase to range between 50 and 12½ per cent;*

c) to adapt the taxation of other forms of income to these reductions by lowering the rate of the tax collected on the general assessment for that portion of the income liable to the tax not exceeding RM 10,000, and by raising the amount deducted in respect of "extraordinary outgoings" (insurances, voluntary contributions, etc.) from RM 480 to RM 600 in the case of the taxpayer and from RM 120 to RM 250 in the case of dependents;

d) the reduction of the tax on income derived from capital from 10 to 9½ per cent.

The bill was opposed in the Reichsrat by the majority of the States, which declared that in view of the fresh burdens placed upon them (increase of salaries) and of the Reich's refusal to participate, they could not see their way to reducing the proceeds of the tax to the extent proposed. The result was that when the vote was taken on December 9, the Reichsrat rejected the entire bill with the exception of the increase in the amounts deducted in respect of dependents.

The Government officially upheld its bill in the Reichstag, but the majority parties speedily reached agreement with it on a

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* Proposed increases:

	RM		RM
amount deducted for wife	180	instead of	120
" " " 1st child	180	" "	120
" " " 2nd "	360	" "	240
" " " 3rd "	600	" "	480
" " " 4th "	840	" "	720
" " " 5th and each subsequent child	1080	" "	960

text which fundamentally altered the bill. The chief characteristic of the new bill is the fact that it does not reduce the number of taxpayers liable to the tax as was the case with the original bill, while on the other hand it favours the unmarried taxpayer at the expense of the married taxpayer with a family. The new bill, which was passed on December 17, 1927 and became the law of December 22, 1927 (Reichsgesetzblatt 1927, I, No.53, page 485), makes a larger reduction in the rate of the tax but limits the reduction to RM 24 per annum and makes no change in the amounts deducted in respect of dependents. Lastly the bill raises the limit which the proceeds of the tax must exceed before a reduction is made to RM 1,300 millions per annum.

The law may be summarised as follows:

II. 1) Tax on wages

The rate of the tax on wages is reduced as from January 1, 1928 from 10 to 8½ per cent. This is equivalent to a 15 per cent reduction. Nevertheless the reduction may not exceed

a)	RM 2	for the tax collected on the wages for	a whole month
b)	RM 0.50	" " " " " " " " "	week
c)	RM 0.10	" " " " " " " " "	day
d)	RM 0.05	" " " " " " " "	2 hours or a fraction of 2 hours.

2) Tax on income levied on the general assessment

As a result of the modification of the tax on wages the general income tax is also reduced by 15 per cent where the income does not exceed RM 8,000. In this case also the reduction may not exceed RM 24 per annum.

This provision applies to the assessment of the tax for the civil year 1928 and for business years ending 1928. In the case of business years ending during the first half of 1928 the tax will however be reduced by only 1/13th, to a maximum of RM 12.

The amount of "extraordinary outgoings" (Sonderleistungen), which the taxpayer may deduct together with "Werbungskosten" (expenditure incurred for the acquisition, securing and maintenance of income) from his income, is raised from RM 480 to RM 600 in assessing income liable to the tax. Deductions under extraordinary outgoings in respect of a wife and each child still a minor are raised from RM 100 to RM 250.

3) Amendment of the Brüning law

The text of the law of September 3, 1925 is amended as follows:

> "If the receipts from the tax on wages during the civil "year 1928 or during any subsequent civil year exceed "RM 1,300 millions, the Government of the Reich shall "submit a bill for the reduction of the tax on wages".

III. FINANCIAL EFFECTS OF THE LAW

In the Reichstag sitting of December 12, 1927, the Finance Minister declared that the net yield of the tax on wages - according to the results of the first eight months of the financial year 1927-28 and after deducting reimbursements to be made in respect of the excess collected - might be estimated on the present bases at RM 1,470 millions for 1928-29. According to the statements of Ministerialdirektor Zarden before the Tax Committee of the Reichstag on December 15, 1927, the decrease of receipts as a result of the new bill should be about RM 180 millions. The total yield of

the tax for a whole year would therefore amount to (1,470 - 180 =) RM 1,290 millions, which approximates to the 1,300 millions budgeted for 1928.

As regards the decrease of the general income tax, Herr Zarden estimates the amount at between 30 and 33 million RM.

The table of the tax on wages according to the new law and under previous systems is appended.

(signed) L. GAILLET-BILLOTTEAU.

Transl. 5290.
QW.

DOC. 280
Annex.

TAX ON SALARIES AND WAGES AS LEVIED UNDER THE NEW LAW AND UNDER THE SYSTEMS RULING HITHERTO.

Monthly salary	Deductions	Unmarried	Married	Number of Children							
				1	2	3	4	5	6	7	8
a)	80	2	1.80	1.60	1.20	-	-	-	-	-	-
b) 100	80	2	1.-	-	-	-	-	-	-	-	-
c)	100	-	-	-	-	-	-	-	-	-	-
d)	100	-	-	-	-	-	-	-	-	-	-
a)	80	7	6.30	5.60	4.-	2.80	1.40	-	-	-	-
b) 150	80	7	6.-	5.-	3.-	-	-	-	-	-	-
c)	100	5	4.-	3.-	1.-	-	-	-	-	-	-
d)	100	4.25	3.40	2.55	0.85	-	-	-	-	-	-
a)	80	12	10.80	9.60	7.20	4.80	2.40	-	-	-	-
b) 200	80	12	10.80	9.60	8.-	4.-	-	-	-	-	-
c)	100	10	9.-	8.-	6.-	2.-	-	-	-	-	-
d)	100	8.50	7.65	6.80	5.10	1.70	-	-	-	-	-
a)	80	22	19.80	17.60	15.40	11.-	6.60	2.20	-	-	-
b) 300	80	22	19.80	17.60	15.40	13.20	9.-	4.-	-	-	-
c)	100	20	18.-	16.-	14.-	12.-	6.-	-	-	-	-
d)	100	18	16.-	14.-	12.-	10.20	5.10	-	-	-	-
a)	80	32	28.80	25.60	22.40	16.-	9.60	3.20	-	-	-
b) 400	80	32	28.80	25.60	22.40	19.20	16.-	12.80	9.60	-	-
c)	100	30	27.-	24.-	21.-	18.-	15.-	8.-	-	-	-
d)	100	28	25.-	22.-	19.-	16.-	13.-	6.80	-	-	-
a)	80	42	37.80	33.60	29.40	21.-	12.30	4.20	-	-	-
b) 500	80	42	37.80	33.60	29.40	25.20	21.-	16.80	12.60	8.40	4.20
c)	100	40	36.-	32.-	28.-	24.-	20.-	16.-	10.-	2.-	-
d)	100	38	34.-	30.-	26.-	22.-	18.-	14.-	8.50	1.70	-

a) Since June 1, 1925.
b) Since October 1, 1925.
c) As from January 1, 1926.
d) As from January 1, 1928.

I.I.9.322 DOC. 281

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 11, 1928.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH FOR OCTOBER AND NOVEMBER 1927.

(See DOC. 279)

The Reichsanzeiger published in the usual form on December 24, 1927 (No.301) the Statement of receipts and payments of the Reich for October 1927 and on January 3, 1928 (No.2) the corresponding statement for November 1927. The following is a translation with surveys of the figures for the months April-September 1927.

.....

I. STATEMENT OF RECEIPTS AND PAYMENTS OF THE REICH

for April to November for the financial year 1927-28.

(In millions of RM)

A. ORDINARY BUDGET		April - September 1927	October 1927	November 1927	Total of first 8 months
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926					
a) to meet outstanding payments of the financial year 1926 (outstanding payments less outstanding receipts)	348.5				
b) net surplus from the financial year 1926	199.5				
	548.0				
II. RECEIPTS (Receipts as estimated in the 1927 budget : 8 659 millions, plus revenues outstanding from 1926: 74.5 millions = total estimate: 8 733.5 millions)					
1. Taxes, customs and dues		4 115.4	970.5	677.7	5 763.6
2. Seigniorage on the coinage		6.4	9.4	15.9	31.7
3. Surplus from the postal service and printing office of the Reich		70.0	-	-	70.0
4. Dividend on Reichsbahn shares going to the Reich		29.9	-	-	29.9
5. Miscellaneous administrative receipts		100.3	17.4	18.6	136.3
Total receipts		4 322.0	997.3	712.2	6 031.5
III. PAYMENTS (Payments as estimated in the 1927 budget: 8 659 millions, plus payments outstanding from 1926: 423 millions = total estimate: 9 082 millions).	Estimates (including outstanding expenditures)				
1. Transfers of taxes to the Federal States	2 892.9	1 358.8	352.9	293.9	2 005.6
2. Salaries	699.0	352.4	62.3	61.5	476.2
3. Pensions	1 511.5	755.1	131.3	144.7	1 031.1
4. Social insurance	327.7	135.3	26.1	30.7	192.1
5. Unemployment relief	450.0	121.7	28.8	27.0	177.5
6. Army - payments for material	391.8	131.2	27.4	29.9	188.5
7. Navy - payments for material	160.5	64.1	11.6	11.6	87.3

	Estimates (including outstanding expenditures)	April-September 1927	October 1927	November 1927	Total of first 8 months
8. Communications	161.0	67.2	11.9	10.6	89.7
9. Public debt: interest and sinking fund	121.9	43.5	12.4	- 0.1	55.8
10. Public debt: revalorised debt	512.8	141.1	68.7	6.8	216.6
11. Safety police	190.0	94.7	15.9	15.8	126.4
12. Internal war charges	234.0	86.1	11.2	12.9	110.2
13. Reparation payments	831.2	412.6	65.8	65.7	544.1
14. Miscellaneous	597.7	348.5	66.2	28.5	443.2
Total payments	9 082.0	4 112.3	892.5	739.5	5 744.3
Deficit	-	-	-	27.3	-
Surplus	-	209.7	104.8	-	287.2
B. EXTRAORDINARY BUDGET					
I. BROUGHT FORWARD FROM THE FINANCIAL YEAR 1926					
Excess of payments over receipts which has to be met out of the yield from subsequent loans ..... - 290.0					
II. RECEIPTS					
(Receipts estimated in the 1927 budget: ..... 9.8 Loans estimated 466.4 Total estimated receipts ..... 476.2)					
1. Administrative receipts		1.3	1.0	1.2	3.5
2. Yield from the 5 per cent loan 1927		101.4	-	-	101.4
Total receipts		102.7	1.0	1.2	104.9
II. PAYMENTS					
(Payments estimated in the 1927 budget 476.2					
In addition RM 281.6 millions of payments outstanding from the financial year 1926-1927 which have to be met, together with the 290 millions mentioned above, out of the yield of subsequent loans).					
1. Productive unemployment relief		47.3	20.7	6.1	74.1
2. Communications		43.8	6.4	8.0	58.2
3. Internal war charges		14.7	0.7	3.4	18.8
4. Reparation payments		17.5	8.3	8.3	34.1
5. Miscellaneous		156.2	6.0	56.4	218.6
Total payments		279.5	42.1	82.2	403.8
Deficit		176.8	41.1	81.0	298.9
Surplus		-	-	-	-

B A L A N C E

A. ORDINARY BUDGET :	
1. Brought forward from the financial year 1926	+ 548.0
2. Surplus April - November 1927	+ 287.2
	+ 835.2
B. EXTRAORDINARY BUDGET :	
1. Brought forward from the financial year 1926	- 290.0
2. Deficit April - November 1927	- 298.9
	- 588.9
Balance	+ 246.3

"REMARKS"

"1) Out of the proceeds from taxation in October 1927, RM 134.6 millions "were transferred to the Federal States in November, and RM 62.9 millions in "December out of the proceeds from taxation in November.

"2) The complete statement of the public debt of the Reich will hence- "forth be published at the end of each quarter.

"3) Statement of the floating debt (in millions of RM) :

	as at September 30, 1927	as at October 31, 1927	as at November 30, 1927
"1) Obligations to pay	9.4	9.4	9.4
"2) Guarantees	50.9	51.1	51.2
"3) Loan from the Post Office	60.0	60.0	60.0

II. OBSERVATIONS.

A. ORDINARY BUDGET.

According to the accounts, the Ordinary Budget closes with a surplus of RM 104.8 millions for October and a deficit of RM 27.3 millions for November. However if the transfers of taxes due to the Federal States for the month were taken for each month instead of the advances paid (which include the balance from the preceding month and leave another balance to be settled the following

month), October and November show a surplus of 47.1 and 44.4 millions respectively.

As compared with the figures for July (the corresponding month of the preceding quarter), the October receipts have fallen by 36.8 millions and the payments have risen by 95.7 millions. As compared with the August figures the November receipts and payments have increased by 34.1 and 30.1 millions.

In the case of receipts, the fluctuations are chiefly to be found in the receipts from taxation and have already been explained (cf. DOC. 275 and 279). There was a considerable increase in the amounts received as seigniorage on the coinage in October and November : 9.4 and 15.9 millions as against 6.4 millions produced during the period April to September. The administrative receipts have remained practically stationary, the figures being 17.4 millions in October (16 millions in July) and 18.6 millions in November (18.2 millions in August).

Among the payments, the transfers to the Federal States amount to RM 352.9 millions in October and 293.9 millions in November. 76.9 millions were paid to the Federal States in October in respect of taxes received in September, 134.6 millions in November in respect of the October entries and 62.9 millions will have to be paid in December in respect of the November entries. The transfers due for October therefore amount to 410.6 millions and those due for November to 222.2 million reichsmarks, and thus correspond to the proceeds from the taxes assigned for transfer, which were high in October and low in November.

As compared with September, the payments for salaries and pensions increased by RM 5.4 and 6.3 millions in October, and 4.6 and 19.7 millions in November. These increases are due to the advances allowed to the officials

and persons in receipt of pensions as from the month of October, in preparation for the new salaries reform.

Payments for unemployment relief (RM 28.8 and 27.0 millions) also show increases of 16.5 and 14.7 millions (12.3 millions in September). This must be due to the formation of the reserve fund prescribed by the new unemployment insurance law which came into force on October 1; according to the budget estimates, the Reich contributes RM 50 millions to this fund.

In October the payments for the interest and sinking fund on the public debt amount to RM 12.4 millions as against 1.6 million in September. October had to meet a quarterly payment of the Reich, amounting to 15 millions and falling due on October 1, for the sinking fund formed at the Reichsbank to cover the withdrawal of Rentenbank notes. The entry of only 12.4 millions under payments and 0.1 million under receipts in November is explained by the fact that the interest on public funds invested is now entered to reduce the payments.

Payments for the revalorised debt amount to RM 68.7 millions in October (18.7 millions in September) and 6.8 millions in November. This figure includes part of the repayments to "old" holders of the Loan Liquidation Debt of the Reich; drawings took place on August 31, 1927 when capital was paid out as well as the repayment bonus and interest as from October 1.

The Reparation payments comprise the following :

	October	November
	(in millions of RM)	
Budget contribution	41.63	41.60
Transport Tax	24.15	24.16
Total	65.78	65.76

Among the other items may be noted the payments for material for the Army and Navy amounting to 27.4 millions in October, and 29.9 millions in November as against 12.3 millions in September. Miscellaneous payments amounted to 66.2 millions in October as against 47.9 millions in September; the figure for November was 28.5 millions.

B. EXTRAORDINARY BUDGET.

The receipts only amounted to 1.0 million in October and 1.2 million in November in respect of miscellaneous administrative receipts. During these two months there is no trace of any receipts from the internal loan 1927, the last payments of which were due in September. According to present information approximately RM 22 millions remain to be collected on account of this loan.

Payments amounted to RM 42.1 millions in October and 82.2 millions in November as compared with 57.8 millions in September, thus giving a deficit of 41.1 millions in October and 81.0 millions in November.

The considerable increase in payments in November should be noted; it is by far the highest figure since the beginning of the financial year, being RM 82.2 millions.* This increase is due to the "miscellaneous payments" (56.4 millions) which include more especially payments on account of

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* Payments of the extraordinary budget for the first eight months of 1927/28.

	Total	of which : "miscellaneous"
April 1927	25.1	8.2
May "	62.3	47.3
June "	51.3	30.5
July "	44.9	25.8
August "	38.1	19.9
September "	57.8	24.5
October "	42.1	6.0
November "	82.2	56.4

the Army and Navy, loans and investments, and no details of which have been given. A partial explanation of this increase in the "miscellaneous payments" would be the particularly low October figure of RM 6 millions, but even in view of this it can be seen that they amounted to 156.2 millions during the first half of the financial year, making an average of 26 millions per month, whilst the average for the first two months of the second half year is RM 31 millions.

Payments for productive unemployment relief fell to 6.1 millions in November after having reached the figure of RM 17.5 millions in September and 20.7 millions in October.

The Reparation payments represent the payment to the reserve of the Commissioner for the Controlled Revenues, which amounted to RM 8.3 millions in the case of both October and November.

To summarize: the extraordinary payments authorised for 1927/28 (including the outstanding balances from 1926-27) amounted to RM 757.8 millions, of which the draft budget for 1928-29 provides for the cancellation of RM 30 millions to be transferred to the financial year 1928-29. There remain 727.8 millions, 403.8 of which were expended during the first eight months, whereas 324.0 millions represent authorised payments still to be effected and likely to be subjected to the economies and delays announced by the Minister in the Reichstag and in his reply to the Agent General's Memorandum.

As regards the financing of the extraordinary budget, 298.9 millions of the 403.8 expended from April 1 to the end of November were uncovered and were provisionally supplied out of the surpluses of the ordinary budget.

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Summarizing these results for each month the ordinary and extraordinary budgets taken together closed in October with a surplus of RM 63.7 millions and in November with a deficit of RM 108.3 millions. If account is taken of the delays in the transfers of taxes to the Federal States, the October surplus becomes reduced to RM 6.0 millions and the November deficit to RM 36.6 millions. Attention is drawn to the small surplus obtained in October. The receipts from taxation were indeed very large in that month, but there were also considerably increased payments, more particularly in respect of the public debt, and the extraordinary budget - fed solely from insignificant administrative receipts - absorbed almost all the surplus of the ordinary budget.

C. BALANCE.

The balance of the ordinary and extraordinary budgets is as follows :

	September 30, 1927	October 31, 1927	November 30, 1927
Ordinary budget	757.7	862.5	835.2
Extraordinary budget	- 466.8	- 507.9	- 588.9
Balance	290.9	354.6	246.3

If the amounts remaining to be transferred to the Federal States at the end of each of these months are taken into account, the actual balance is as follows : 30 September : RM 214.0 millions; 31 October : RM 220.0 millions, and 30 November : 183.4 millions. The available funds of the Reich have thus been greatly drawn upon since the beginning of the financial year when they stood at RM 258 millions. If the working funds still untouched and amounting to RM 252 millions are added to the 246.3 millions

(of which 62.9 millions remain due to the Federal States) in hand on November 30, the assets of the Reich would then be found to amount to RM 498 millions. The explanatory memorandum to the budget for 1928 reveals the fact that 100 millions of this sum which were lent to agriculture are unavailable. There therefore remained 398 millions, or approximately only 100 millions more than the sum judged necessary for the working fund. December, with small returns from taxation owing to the absence of any quarterly payment, will have had to meet payments on account of the increased salaries and pensions granted by the Law of December 16, 1927 (less the advances allowed the two preceding months). January - when there will certainly be very large returns from taxation - will have to meet a large repayment of the revalorised debt, the total amount of which is estimated at RM 134 millions. It therefore appears that the moment is not far distant when the Treasury will by some means have to procure funds.

M.H.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 21, 1928.

FINANCES OF THE REICH

SPEECH BY THE FINANCE MINISTER OF THE REICH, DR. KOEHLER, ON THE BUDGET FOR 1928, MADE IN THE REICHSTAG, JANUARY 19, 1928.

(The following is a translation of the full text from Official Reichstag Proceedings)

The draft Budget of the Reich for the financial year 1928, which I have the honour to represent before you, was submitted to you a few weeks ago. Its importance with regard to both financial and economic policy may justify its being accompanied, in addition to the detailed explanations which were presented with the estimates, by a few oral remarks on our financial political situation and the problems connected therewith. As was the case with the bill on the budget itself, I shall strive in these statements too to describe conditions quite frankly and clearly in order thus to present a picture of the aims and methods of the financial administration of the German Reich, which is in accordance with the truth in every respect.

When in the middle of February, 1927, I presented the draft budget for the year 1927, it was impossible to look at the economic and financial situation without anxiety. The crisis which was carried over from the year 1925 into the year 1926 did, it is true,

give way to an improvement chiefly under the influence of the English miners' strike. But it was still impossible to determine as yet whether the stimulation of the economy would continue when the effects resulting from the English strike were succeeded by normal conditions. The small harvest yield of the year 1926 restricted internal purchasing power. Domestic capital formation was not adequate to cover the increasing capital requirements of the economy and of the public corporations. Above all, however, the number of unemployed was still dangerously high. On February 1, 1927, there were still 1,825,000 unemployed, or only approximately 200,000 less than at the same time in the preceding year. On the basis of the cautious estimates of the Reich Ministry of Labour and even on the assumption of a considerable reduction of the unemployment figures as compared with the level of February, 1927, the cost of unemployment relief, which from April 1, 1927, onward was, in accordance with a promise, to be borne entirely by the Reich, was around 40 million reichsmarks monthly. The budget did not contain adequate funds for these payments. Officials and war victims had on several occasions been given promises by various competent authorities of an increase in their inadequate incomes. The persons who suffered losses abroad through liquidation demanded an early and adequate definitive settlement following upon the award of the Arbitral Tribunal in The Hague, which was not favourable to Germany. In view of the economic situation at that time, it was impossible to see where the funds for the satisfaction of all these demands were to come from. There was no room in the budget for them. The sole and last non-recurrent reserve available was the working fund which shortly before had been newly created. In

view of this situation as a whole, I was therefore entitled and obliged frankly to express my anxieties and to state that, as compared with the financial year 1926, the budget for 1927 lay under a dark shadow. In this conception I was, moreover, entirely in agreement with the opinion of many well-known industrial leaders and politicians.

In stating already at that time that the question of the increase of the allowances to war victims and to officials and the definitive settlement of the indemnification of the persons who suffered losses abroad through liquidation and damage by violence would occupy the legislative bodies in the course of the budget year 1927, I did this because I was of the opinion that 1927, the year of recovery and transition, must be a year of cleaning up and that these two questions must be the capstone of developments in the great work of reconstruction completed since the end of the inflation. War and inflation had completely undermined the whole German national economy. Wealth and labour had been destroyed and endangered in a measure which had hitherto been unprecedented in world history. It was therefore the task of all post-war governments gradually to rebuild what had been destroyed and to cause new life to emerge from the ruins. This idea dominated not only the great tax reform of the year 1925 and the tax reduction action of the following years, which was to make possible again in Germany the formation of destroyed capital and to give the economy the air necessary for free development, but also the revalorisation laws which were to make good, within the scope of what was financially possible, the losses of wealth caused by the depreciation of the currency, and, finally, the social laws which were intended to

serve to maintain and to augment the labour resources of the German nation. I therefore stated in my budget speech of February 16,1927, that although at the time funds were not available in the budget for the settlement of these two questions, the Reich Government would nevertheless fulfil at the given time the promises which had been made on various occasions, although it would strictly adhere to the principle that the budget must be balanced and must remain balanced under all conditions.

The fact that this promise could be redeemed in the course of the year 1927 is due to the unforeseeable upward movement in economic life which led to the business activity characterising the present financial year. German trade and industry improved still further. In practically all fields figures of production rose. Surprisingly enough, industry was able gradually to absorb almost the whole number of unemployed, to the number of about 1.5 millions. The tariff-wage level of the German labourer rose. The number of bankruptcies and business supervisions declined continuously and on a great scale. Indeed the number of bankruptcies in September, 1927, was 360 or less than one-half of the yearly average of 1913. The number of protested bills declined very considerably. Savings deposits rose from 2.9 milliards in November, 1926, to 4.4 milliards in October, 1927, although they thus reached only 23 per cent of the savings figures of the year 1913. A year of good business is behind us.

This favourable economic development had two fortunate results for the Reich finances. Firstly, considerably less claim was made on the funds for unemployment relief than was to be assumed when the budget was passed. Only about 200 millions of the 450 millions

contained in the budget were used in the first three-quarters of the financial year; in the view of the Reich Ministry for Labour it may be expected that, taking into account the increase in unemployment since November 1st due to seasonal influences, approximately 70 millions will still be required in the whole financial year, including the basic fund for the unemployment insurance scheme. Therefore about 180 millions of this fund will be saved. (Interruption from the Communists: "And that is the only place where you have saved!").

The second consequence of the economic prosperity was a considerable increase in the yield from taxes and levies on consumption. In the nine months from April to December, 1927, the taxes on property and the movement of capital yielded 4.1 milliards, and the customs duties and taxes on consumption yielded 2.2 milliards, or a total of 6.3 milliards. Compared with the budget estimates for three-fourths of a year, this means an increase of over 500 millions. On various occasions I have pointed out that conditions in the individual months are entirely different and that it is incorrect to figure out the results for the last quarter by dividing the above-mentioned figure by three. But as early as October, 1927, I believed I could cautiously make before the Budget Committee the estimate that the total additional yield would be 300 to 350 millions. At that time I was severely attacked for what was alleged to be a light-hearted estimate, and long memoranda were written in an attempt to prove that the additional yield calculated by me would turn out to be nothing at all. Three months have now elapsed, and the result of these months has not only confirmed my estimates, but also shown that I was extremely cautious at the time. During this

three-quarters of a year the transfers to the States from the income, corporation and turnover taxes amounted to 2,033 million reichsmarks. Compared with the guaranteed sum applicable to three-quarters of the year, this means larger transfers of 83 millions to the States. The remaining transfers to the States from the tax on motor vehicles, the tax on the purchase of property, etc., amount to 221 million reichsmarks in the first nine months. Thus the total transfers for the three-quarters of the year amounted to 2,254 millions, so that the net receipts for the Reich for the first nine months amount to 4,084 millions. This is equivalent to 441 millions more than the budget estimates.

The tax receipts for the last quarter-year will perhaps be lower than in the third quarter. In January the reimbursement of excess payments on account of the income tax begins. The wage-tax law and the increase in unemployment in the winter cause certain losses which, on the other hand, are again equalised through the higher receipts from the new official salaries. As a result of the Christmas trade, higher receipts on account of the turnover tax may be expected in January. It cannot be said with certainty whether the yield from the custom duties and the taxes on consumption will be the same as in the last months. Nevertheless it may be hoped and assumed that the receipts will in any case amount to one-quarter of the budget estimates. Thus, the total result should be that, after considerably larger transfers have been made to the States in excess of the guaranteed sum, the net additional receipts to the Reich will in any case not be under 500 millions.

Consequently, as a result of savings and higher tax receipts, there should be about 680 millions available in the year 1927. The largest part of this sum will be consumed by the supplementary budget which I shall be forced to present shortly. Conforming with the character of the year 1927 as a year of cleaning up, this supplementary budget will in the main give budgetary form to various expenditures which have already been authorised or which are being made. Thus, it will request about 160 millions for the increases in the allowances to war victims and to officials, which went into force on October 1st. It will, in accordance with the definitive liquidation indemnification bill, also contain the cash payments which are to be made in the same amount of 160 millions to the persons of small means who suffered liquidation or war losses. Besides there are various other sums, as, e.g., the program for the western border, which has already been promised, and the funds for the beginning and execution of the East Prussian program, contributions for the repair of the damage caused by storms in Saxony, Pomerania, etc., a necessary increase in the appropriation for life-annuities, partly as a result of the Emminger law of July, 1927, and in the welfare annuities, a request for a sum to finance the impending conclusion of an arrangement to compensate the States for turning over to the Reich financial administration customs and tax buildings, and finally an item of 25 millions for social rentiers, which was authorised in December, 1927, as a non-recurrent expenditure. Thus, the supplementary budget will demand not less than 500 millions in any case, so that savings of 150 to 180 millions will still remain. In conclusion, I may state with satisfaction that 1927, the year of business activity and cleaning up, will, even

after allowing for the additional burdens arising out of the supplementary budget, yield a surplus of about the same amount as it carried over out of the year 1926. Therefore, it will on the whole balance. This is a step forward as compared with the year 1926 which brought forward from the previous year a surplus of 400 millions, but which itself showed a surplus of only 200 millions, i.e., if considered alone, it closed with a deficit of 200 millions.

This development of the year 1927 has caused me to be reproached for having painted things in too dark colours in February, 1927, and then changing my opinion in the course of the year. A strange accusation! It was not I who changed my views; it was the basis of our financial policy, the German economic situation, which had changed. Should I have simply disregarded such a change? I consider quick and resolute adjustment to economic conditions extraordinarily important and necessary. In my opinion, I could be reproached only if, without taking into account the development of the whole economic situation, I had continued to pursue the same policy which the situation in February and March, 1927, absolutely demanded. But it almost appears as if statements which are in accordance with the truth and a policy of rapid adjustment to actual conditions were not agreeable on every side.

Now out of the surplus to be expected from the year 1927 I have, all in all, entered 125 millions as receipts in the ordinary budget and 35 millions as receipts in the extraordinary budget of the year 1928. In using 125 millions to cover the ordinary budget, I have followed a procedure which has been practised in the past two years. This procedure is not in accordance with the Reich Budget Law. It signifies a danger for future budget years if the

non-recurrent surpluses of former years are made the basis of current expenditures. The only justification of this procedure is that also on the expenditure side of these transition years there are items caused by the consequences of the war, the Versailles Treaty and the inflation which may be characterised in a special measure as non-recurrent expenditures. Here I particularly have in mind expenditures like those for the border program and a large part of the internal war charges. But this procedure is only an emergency aid. I therefore consider it astep forward that, whereas the budget 1927 showed all in all 535 millions of such non-recurrent receipts, only 290 millions are to be used in the 1928 budget to cover ordinary expenditures. Should the year close with a net surplus of more than 160 millions, the provision of the Reich Budget Law will be observed; the additional sum will have to be used to reduce borrowing requirements, which are still considerably high. I shall return to this matter later. With this I should like to leave the budget year 1927, - a year which as a result of the surprising improvement in the economic situation developed considerably better than could be foreseen when the budget estimates were made. A year which, notwithstanding statements and views to the contrary, will not make it necessary for us to resort in large measure to the treasury certificate credit available before April 1, 1928; a year which stabilised the improved business conditions of the year 1926 and one concerning which from the view point of currency policy, the Agent General for Reparation Payments said in his last Annual Report that on the whole the German reichsmark has been one of the strongest gold currencies in the world.

And now to the budget for 1928, the first budget with the standard burden of the Dawes Plan after the four-year period of recovery granted us in accordance with this Plan. Thus there begins with it a new phase of German financial policy. In drafting it different formal and material methods were adopted, in some respects, from those of the past. The principles of a sound budget policy were developed further, the whole budget was constructed more clearly, more lucidly and more transparently, and the possibility of comparison with former years was afforded. For this same reason of clarity the war charges budget was stripped of its hitherto solely explanatory contents and worked into the general budget. The 'survey' accompanying the draft budget is intended also to give information on the various questions raised regarding surpluses, cash assets and working fund requirements. It also contains - for the first time - a detailed analysis of the remainder expenditures out of transferable items of former years. (Herr Torgler: In the case of the Ministry of Defence as well?) - You don't seem to have looked at the budget yet. - I venture to assume that just these innovations are one of the reasons why the public is devoting more attention to the budget before us. I myself was anxious to give the German people the possibility of becoming acquainted with this great work of its financial policy and to take the budget out of the twilight of a secret science. As regards the finances of the Reich we have, in the opinion of the Reich Finance Minister, nothing to conceal and can only profit from public collaboration. For the same reason I have caused also the monthly and quarterly statements of receipts and expenditures to be improved considerably during the budget year.

Greater still than the changes in form, however, are the material changes. The important thing was to give effect to the repeated announcements of economical administration by the Reich and to avoid a deficit budget under all conditions. The Reich Government believes that it has done this in a measure which has justly procured for the budget the description of a 'budget of economy'. In spite of new unavoidable expenditures, including approximately 400 millions of reparation payments, in spite of the increase in the salaries of Reich officials and in the allowances to war victims and in spite of the settlement of the liquidation claims, it has been possible to balance the budget without increasing taxes. This, however, was possible only as a result of making radical deductions wherever this could at all be done. The net requirements of the Reich for its total administrative purposes, including the defensive forces, which amounted to approximately 2.4 milliards before the war, to approximately 2.5 milliards in the year 1926, and to approximately 2.3 milliards in the year 1927, have been reduced to approximately 1.7 milliards in the estimates for 1928. It would hardly be possible to give clearer expression to the tendency of the greatest economy in the Reich. But in the extraordinary budget it has proved possible to dispense with new authorisations to borrow. Still more, however, a reduction of the borrowing authorisations of former years has even been provided.

The total of expenditures and receipts in the ordinary budget for 1928 is 9.356 milliards and in the extraordinary budget, 146 millions, or taken together, 9.5 milliards. As compared with the estimates for 1927, this means an addition of 697 millions in the ordinary budget, and 330 millions less in the extraordinary budget,

i.e., an addition of 367 millions all in all, or an addition which does not even reach the increase of 396 millions in the reparation charge. Now, it is wrong and gives an entirely distorted picture to compare the figures of the estimates for 1928 with the estimates for 1927, since as a result of the development of this year, as already described, and particularly of the impending supplementary budget, the actual results for 1927 will look entirely different than the estimates. According to the figures which I gave above on the probable actual results of the year 1927, the ordinary expenditures for 1928 will, in spite of the factors of increase just mentioned, be approximately only 200 millions higher and total expenditures approximately 100 millions lower than those for the year 1927. In other words, in spite of the increase of the reparation burdens by approximately 400 millions and in spite of the increases in the salaries of officials and the allowances to war victims, which will have their effects on the entire year 1928! Conditions are similar on the receipts side. As compared with the estimates for 1927, tax receipts are estimated 942 millions higher, of which the Reich will receive 617 millions and the States 325 millions. But if it is remembered that, as I have stated, the actual receipts in the year 1927 will yield a net increase of at least 500 millions for the Reich, the higher estimate of 942 millions, which is at first terrifying, melts away into about one-third and thus assumes a considerably different aspect.

The estimating of the tax receipts is conditioned by the judgment of the entire economic situation. Permit me therefore to devote a few words to this question from two-fold considerations. For, as regards the Finance Minister, the economic situation is not

only a barometer from which he can see whether the weather will be good or bad in order thus to equip himself with a light suit or a storm coat for the coming budget year, but financial policy is also economic policy which is of decisive importance for the course and development of the economy. I therefore look at the economic situation not only from the standpoint of a correct estimation of the receipts and expenditures of the coming Reich budget, but also and above all from the standpoint of the financial policy which I must pursue.

The business improvement which set in during the past year seems to have reached its peak. Indications are apparent that the pace and the measure of the increase in business activity are slowly weakening. But there are no general indications whatever that there will be a considerable decline or even a crisis. It is doubtful, to be sure, whether business will be able to rely on the domestic market in the same measure as in the past. But for greater recourse to the foreign market it is necessary that production costs be kept lower through the greatest possible rationalisation and reduction of the burdens of the public corporations, and, furthermore, that the countries to whom it would be possible for us to export do not close their doors to us. On former occasions I have warned against fear of higher prices. This would be the greatest danger that could arise for our economy at the present moment. The Reich Government will continue to interest itself in the furthering of exports. Deliberations are at present taking place on the repetition of the guarantees for furthering exports which were demanded in the past year. The Reich Government will probably make a proposal to this effect in the supplementary budget. In this field is also

the action to reduce customs duties, which is at present being discussed in the Commonwealth Economic Council. I have anticipated its result to the extent that I have estimated the receipts from customs duties, which will yield approximately 1,200 millions in the year 1927, at only 1,050 millions for 1928.

A particularly difficult chapter in the whole German economy is the situation of German agriculture. The increasing indebtedness, primarily the burden of short-term credits, together with the unfavourable harvests of the past few years, particularly in those districts which suffered from the storm catastrophes of this year, have led to conditions which cannot be regarded without anxiety. The Reich Government considers an early solution of this extraordinarily difficult situation absolutely necessary, not only because it is of the conviction that an increase of agricultural production with the resultant strengthening of the domestic market and the improvement of our balance of payments as regards foreign countries represents one of the most important economic political tasks of the present and future, but also because the improvement of the living conditions of a large part of the German nation is involved.

The tax estimates for the next year are to be considered in the light of this situation. In estimating the amount of the receipts from the individual taxes, a distinction must be made between those taxes which, like the income and corporation taxes, depend on the result of the year 1927, which was characterised by favourable business conditions, and those taxes which, like the turnover tax, the tax on the movement of capital, the transport tax, and to a certain extent the customs duties and levies on consumption, are

influenced by the still uncertain development of the coming year. All in all, it may be stated, however, that the inherent strength of our tax resources is increasing more and more, no doubt not least of all to the continued improvement of our assessment and auditing apparatus. One word of a general nature on the estimates themselves! Naturally it will be possible only at the end of a year to ascertain with certainty whether the estimates made at the beginning of the year were really accurate. But in spite of this factor of uncertainty, estimates cannot be omitted. On account of the new estimates for 1927 which I made a few months ago, I have been cried down as a light-hearted optimist. Today it has been proved that I was right. Why ? Because my estimates were not made up out of whole cloth, not subordinated to any particular unobjective motive, but because they were well-founded, took into account the different effects of the business improvement on the individual taxes and because I had no reason for concealing anything or for not playing with open cards. I refuse to make deliberately low estimates of receipts and, on the other hand, to make intentionally high estimates of expenditure in order thus to allow at the end the widest possible margin and also the opportunity for the utilisation of remainders which are more difficult to control, etc. The budget must today deliberately be presented clearly and in such a manner as to bring out any hidden reserves of transferable items which may still be on hand here and there, for the purpose of providing a really reliable budget and not a surplus budget. I should like to add that if the parliament concerns itself not only with budget criticism and with the shaping of the budget but also gives its attention to the carrying out of the budget, i.e., the examination

of the budget accounts, all authorities will in the future be cautious and conscientious not only as regards the drafting of the budget but also in carrying it out. (Cry from the Communists).

The income and corporation taxes together are estimated at 3,450 millions, i.e., 430 millions more than the estimates of the year 1927. Of this additional sum, 100 millions are on account of the wage tax; 30 millions on account of the tax on income derived from capital; 150 millions on account of the assessed income tax; and 150 millions on account of the corporation tax. Since the good condition of business in the year 1927 will exercise its full effects only as a result of the spring assessment in 1928, I believe that these estimates will be able completely to withstand all criticism. (Cry from the Left).

With regard to the fact that the tax on wealth was estimated at 520 millions, i.e., at 50 millions more than for 1927, it must be remembered that on January 1, 1928, a new appraisememt of property will take place, which will lead to a not inconsiderably higher estimation of property values, operating wealth and capital wealth, in view of the rise in economic activity which has taken place in the meantime.

Of the remaining taxes on property and the movement of capital, the inheritance tax and the race-betting tax have remained unchanged. The tax on the purchase of property, the tax on the movement of capital, the tax on motor vehicles, the insurance, lottery and bill taxes, and the transport tax have altogether been estimated at 125 millions higher than the estimates in 1927. In general these estimates correspond to the probable actual receipts of the current year. Further details on these taxes, as well as on all tax

estimates, will be given in the Budget Committee. In connection with the higher estimate of the turnover tax at 1,050 millions, i.e., 150 millions more than the estimates of the year 1927, it must be remembered that through the adoption of the system of quarterly payments the turnovers of two months are not included in the year 1927. For 1928 this means an additional sum of more than 100 millions. Furthermore the resumption of subsequent re-examination, which had to be abandoned for a time for urgent reasons, will be of considerable importance for the turnover tax returns. Finally, a certain increase in turnovers may be expected also as a result of the increases in salaries and wages. I therefore believe that as regards these estimates also, one cannot speak of an unjustified optimism in the judgment of the development of business activities.

In regard to customs, I have assumed a yield of 1,050 millions. It is true that this is 160 millions more than the estimates for the year 1927, but with this estimate I am still about 150 millions below the probable actual receipts for 1927. Therefore this sum not only anticipates the result of a possible action to reduce customs duties, but also contains a certain reserve for a possible decline in customs receipts as a result of the economic development of the year 1928 and as a result of a favourable harvest which is most urgently to be desired.

The tax reduction action in this year having been taken into consideration, the sugar tax is estimated at 140 millions, or 135 millions less than in the year 1927. The estimates for the tobacco tax are 60 millions higher than the estimates for 1927; for the beer tax, 35 millions higher; and for the spirits monopoly, 60 millions

higher. In general these higher estimates correspond to the actual results obtained in the year 1927, and objections will hardly be raised against them. The remaining levies on consumption have remained unchanged, with the exception of the tax on sparkling wines, which is estimated, on the basis of actual receipts thus far, at 15 millions, or 7 millions higher than the estimates for 1927.

If I may now go into those questions, in which, as I have already said, the Finance Minister is not only an observer of the development of business conditions as a basis for his budget estimates, but in which he must regard his financial policy as an economic policy and make it serve sound economic development, permit me here to preface my remarks with the general statement that I consider the total present tax pressure as still being too great and unbearable in the long run. It will be the task of every Government to seek possibilities of reduction. The great line which in this question begins with the tax reform of the year 1925 was also adhered to in the year 1927. It will also have to be the task of the year 1928 to continue it in the Reich, States and communes. For the careful treatment of existing capital and the furthering of the formation of new capital within Germany itself are an indispensable duty. In carrying out these efforts, the experience gathered in the year just ended gives reason for thought and for an examination into whether the leadership of the problem of general tax reductions must not come primarily from the Reich if it is to be attended by success; the preparation of the definitive financial settlement between the Reich, States and communes, one of the great tasks of the year 1928, will have to do fundamental work here. But one of the pre-requisites of its success is also a rationalised

public administration, concerning which I shall say more later. As regards the Reich, a permanent possibility of reduction can be found only if expenditures can be reduced correspondingly. And not, for example, by simply making current expenditures out of loans. In the drafting of the budget for 1928 the reduction of expenditures was the guiding principle. This budget has succeeded in reducing net Reich expenditures by approximately 6 per cent. But a further reduction of expenditures is absolutely necessary. I should like to reserve further remarks on the ways which lead to this goal. It goes entirely without saying that the Reich Government welcomes all collaboration which supports the furthering and solving of this difficult task. For a sound and independent economic and financial policy is the pre-requisite for economic progress and prosperity. During the past few weeks repeated proposals have been made in the sense of a reduction of the expenditures of the public corporations. They will of course be examined in detail and be applied wherever it seems possible and justifiable. I should, however, like to request you to watch one thing here. Democracy in Germany must possess enough strength to master the difficulties of our financial and economic situation by democratic methods and to establish a sound financial and economic policy by democratic methods. Furthermore, it will not be possible to achieve much with a pure schematization of reductions in expenditure. (Very true!) For, after all, the State, as was recently quite appropriately said, cannot be put into a plaster cast.

The kernel of the difficulties of the financial year 1928 lies in the extraordinary budget. The loan requirements carried over from the years 1926 and 1927 are the darkest point in the budget and

financial situation of the Reich. (Very true! from the Center). I am therefore forced to go somewhat more into detail with regard to this series of questions. Total loan requirements amounted to approximately 1.4 milliards. The year 1926 shared in this sum to the extent of 840 millions, i.e., to a considerably greater extent than the amount of the tax reduction carried out in the same year. Of the sum of approximately 1.4 milliards, 39 millions have, on the basis of the accounts for 1926, already been cancelled as not being necessary, and 452 millions have been covered with the proceeds of the Reich loan which was issued in the spring of 1927. I beg to be excused from again going into the history of this loan. The best intentions prevailed at the time in determining the amount, the interest and the subscription price; the result, however, was such that the loan has become no cause for joy to the Reich Finance Ministry, but a child causing great anxiety. The quotation had to be supported repeatedly so as to keep it from declining too greatly. In August, 1927, however, more comprehensive measures became necessary. In this month the period expired during which several hundred millions of the loan could not be sold. If only a fairly large part of this sum were to reach the market, which was to be feared in view of the occurrences of the previous months, there was very great danger for the credit of the Reich. Under the pressure of this danger - and within the jurisdiction allowed me - I therefore decided to increase the interest rate of this loan for a number of years in order to avert serious damage to the Reich, the further effects of which could not even be estimated. It was not easy for me to take this step, but it had to be taken. And the success proved that I was right. The reflux was curbed. But enough

of this: The extraordinary budget not yet covered thus amounted to 914 millions, of which about 550 millions will have been expended by the end of the current budget year. Up to the present these funds have been taken from available treasury funds. In the survey which accompanied the budget the amount and composition of these treasury funds were explained in detail. From it you will see that the treasury funds, which at the end of 1924 still amounted to one milliard, were continually decreased and that at the end of 1927 they will amount to approximately 500 millions, and at the end of the year 1928, on the other hand, to only 200 millions. Up to the end of the financial year 1927 it will therefore probably be possible to cover the expenditures of the extraordinary budget from the treasury funds without, as has already been stated, the necessity of issuing treasury certificates in large amounts. In the course of the year 1928, however, the treasury funds which were expended for purposes of the extraordinary budget, and which are intended to cover the 1928 budget, must be replaced. There will be a hole which really ought to be plugged by the issue of loans, through which of course the total sum of 914 millions is to be definitively covered. It is not yet clear whether the loan market will permit the issuance of Reich loans in the year 1928. But even if such a possibility should exist, I believe that, in contradistinction to the procedure adopted in the spring of 1927, priority must be granted to other credit-seekers, i.e., to the German economy and, of the public corporations, to the Railway Company. (Very true! from the Left). Particularly the latter seems to me urgent in order to get the Railway Company out of its present not altogether simple situation. (Concurrence on the Right). The state of affairs is therefore that

in the year 1928 only the reduced treasury funds and the treasury certificates to be issued not in excess of 400 millions are available for covering the extraordinary budget. The sum of about 600 millions must therefore not be exceeded.

In view of this situation, I had to decide on radical measures. The first natural measure was that, fundamentally departing from the policy of the budgets of 1926 and 1927, I took care that the borrowing requirements which I had to take over should not rise further in the year 1928 - a measure which it was easier to announce than to carry out. But it had to be done and it was therefore successful. Thus all items which cannot be regarded as really productive expenditures, as, above all, the construction of ships, were taken out of the extraordinary budget and included among the expenditures of the ordinary budget. Furthermore, the items remaining in the extraordinary budget - aside from the items of 50 millions for colonization in the East, chiefly expenditures for the construction of canals and for productive unemployment relief are involved - have been reduced very considerably. Thus, as compared with expenditures of 476 millions in the year 1927, only 176 millions of expenditures have now been entered and are covered through savings in expenditures amounting to 30 millions and through its own receipts as well as through surpluses of the year 1927 in the amount of 35 millions, i.e., entirely without resort to new loans. As a result the danger of a further increase in loan requirements is, it is true, eliminated, but the difficulty lying in the existing uncovered loan requirements has not yet been overcome. I have therefore used the remainder of the operating fund still on hand, amounting to 62 millions, for the lessening of loan

requirements which are thus reduced to 852 millions. I have initiated further steps in order to reduce or, so far as this should not be possible, gradually to liquidate systematically the portions of the extraordinary budget which have not been expended as yet, - at the end of the year 1927 the amount will still be about 300 to 350 millions. But here I am confronted with a certain difficulty since in some cases binding contracts have already been signed by some of the authorities who, on the basis of the expenditures allowed by the Reichstag, have given orders, as, e.g., for the continuation of canal construction. If therefore the Reich Government is not to be confronted in the year 1928 under certain conditions with the necessity of coercive measures - of suddenly throttling expenditures forcibly and not even stopping at existing rights, - it is absolutely necessary to use every further surplus, which might result in the year 1927 in excess of the 160 millions, concerning which disposition has already been made for 1928, for the purpose of reducing loan requirements and for this purpose alone.

The question has been raised whether a division of the budget into an extraordinary budget and an ordinary budget is at all advisable. Leaving aside the budgetary aspect of the question, this means in practice whether all expenditures, including those for productive purposes, are to be covered from receipts on hand or whether it is justified, from the standpoint of financial and economic policy, to raise loans for productive expenditures. Now, it is interesting that in this respect a certain change seems to have taken place in public opinion. A short while ago I read the opinion of an important economist who was of the view that in normal times borrowing ought to disappear entirely out of the financial

policy of the Reich and that the extraordinary budget in case it could not be abandoned entirely, ought to remain an empty drawer. This view is not only diametrically opposed to the financial policy which was begun in the year 1926 and which was generally welcomed at that time just because of its attitude toward the borrowing question, but it also goes beyond the cautious attitude of my predecessor, Minister von Schlieben, who did not fundamentally reject the raising of loans, but who considered it permissible only if and insofar as the capital market offered a guarantee for their flotation. I am convinced that it is correct, from the standpoint of financial and economic policy, not to cover from taxes and levies the expenditures which create values for the future, but to meet them from loans and thus to burden also the future generation which is to have the benefit of the values created. But this principle must find its practical and unconditional limit in the capacity of the domestic market to absorb. The difficulties of the present situation are due to the fact that this limit has been exceeded. Therefore we shall have to go slowly with the entering of new loan requirements and accordingly, since the financial situation does not permit meeting extraordinary expenditures out of current funds, with the approval of extraordinary expenditures in general so long as the old loan requirements are not yet - in some way or other - definitively covered. This may be painful, but cannot be avoided.

I do not think that a change in the budget system of the Reich would bring success. In principle, the present system has the great advantage of clarity and frankness; the pace at which and manner in which the approved items of the extraordinary budget are expended may be ascertained, moreover, at any time. However, I

should welcome a combination between this system and the systems in other states, including Prussia, according to which loans are issued only on the basis of special laws. If in the future every new expenditure of the extraordinary budget to be covered by loans could be entered in the budget only on the basis of a law, and if, besides, the authority to make an expenditure could be made dependent on the receipt of the proceeds of loans, the guarantee against an excessive drain on the extraordinary budget would indeed be great. It is very much more difficult to obtain the approval of a law which, for example, authorises the construction of a new canal costing several hundred millions than it is to get the approval of a budget item in which a first instalment of, let us say, 10 millions is requested for new canal construction.

(Herr Dietrich /Baden/: Neckar canal!) - In the south! But there are other canals, Herr Dietrich.

(Herr Dietrich /Baden/: You were there yourself, Mr. Minister). - You would have been there, too, Herr Dietrich, if it had not happened that you were no longer a Member of the Diet at the time. (Laughter and interruptions).

If we adopt the practice, as in Prussia, of making new expenditures which are to be covered by loans require a special law and of then causing them, as has hitherto been customary in the Reich, to be included in the extraordinary budget, we shall have then made, in my view, considerable progress in budgetary practice.

Most of the expenditures in the extraordinary budget are matters of judgment. It is left to the free decision of the Government and the legislative bodies whether and how much money may be expended for the construction of canals, building for

agricultural settlements, and productive unemployment relief. I have therefore been able to reduce these expenditures by more than two-thirds.

In the ordinary budget things are different. There by far most of the expenditures are inevitable. Therefore my hands were tied here and even the Reichstag will be able to make economies, if at all, only in an amount which is practically negligible when compared with the total budget. Let me prove this with a few figures. In the total ordinary budget of 9.3 milliards, there are the following inevitable items which are beyond any reduction: the transfers to the States out of tax proceeds, amounting to 3.2 milliards, and for police costs, amounting to 190 millions; the pensions and allowances to war victims, amounting to approximately 1.8 milliards; reparations, amounting to 1.2 milliards; expenditures for the Reich debt, amounting to approximately 480 millions; expenditures for social insurance and emergency relief, amounting to 475 millions; the internal war burdens, amounting to 210 millions; salaries amounting to 792 millions; or a total of about 8.4 milliards. This leaves a remainder of 983 millions. Here, only, is there a field in which tendencies toward economy might become effective and reductions be made. If the proposal, which has already cropped up in the press, to the effect that a certain percentage, possibly 10 per cent, should be deducted from the Reich budget, should become a motion, such a proposal could naturally not apply to the large inevitable items, but only to the sum of 983 millions which is more or less subject to judgment. But, there are naturally included in this sum, of course, a number of amounts which are fixed by law or which are otherwise inevitable.

Furthermore, the sum of 983 millions includes the total material costs for the Reich defence forces, amounting to approximately 380 millions. In the year 1927, the total expenditures of the defence budget including the extraordinary expenditures, which were transferred to the ordinary budget for the year 1928 and which I must therefore include in this comparison, amounted to 701 millions; and the additional requirements, after deduction of the receipts, amounted to 690 millions. In the 1928 budget the total expenditures amount to 705 millions; the additional requirements, after deduction of receipts, amount to 690 millions. It has therefore been possible to keep the defence budget at the level of the previous year in spite of the increase in salaries. This was possible only through radical cuts in the material expenditures, which it was not always easy to make. But there is a limit even as regards these cuts. To be sure, opinions may sometimes differ as to the necessity of one demand or another; speaking purely theoretically, it is possible even to debate on whether the army must really have 100,000 men. But if the 100,000 men are approved, the costs for their subsistence, clothing, equipment, housing and training must be approved. Then by far the most of the material costs are inevitable. Then we must be consistent and not demand a deduction of 10 per cent from all material costs.

The sum of 983 millions furthermore includes expenditures for waterways and air service, the general allowances for the Foreign Office, for cultural policy, for furthering agricultural production, etc. In comparison with the total budget, the administrative expenditure of the Reich as such is therefore very small. It is the result of very detailed discussions and has been drawn up as

economically as I can at all answer for without endangering official business.

If it has been possible, in all places where my hands were not bound to suspend, so far as the 1928 budget is concerned, the application of the law of increasing expenditure requirements which has made its appearance in the budgets of all countries and at all times, perhaps I may book this as a certain success. According to my firm conviction, hardly anything more can be accomplished within the scope of the present constitutional and administrative organisation. But of course this does not do full justice to the urgent demands of economic life. In the position in which Germany finds herself the law of increasing expenditure requirements must lose its effectiveness for the whole public administration. It must be supplanted in Germany by the iron law of declining expenditure requirements. The rise of the reparation burdens to the maximum level demands a reduction of the total of the other internal German burdens, if our German economy is to be able to bear this heavy burden.

Among the expenditures which I characterised as inevitable is the item for reparation payments amounting to 1,227 millions, which as compared with the previous year has risen by 396 millions, to which must be added the interest and amortisation of the German industrial debentures, amounting to 300 millions, and of the Railway bonds, amounting to 660 millions.

More closely than ever before is the conduct of our budget, the general tendencies of development of which I have taken the liberty of outlining for you, connected with our reparation obligations and the questions of the future connected in turn herewith.

As I have already stated, the transition period which the Experts' Plan provided for the strengthening of the German economy ends in this year. The first standard year, in which the whole German economy - still in the stage of reconstruction - is to raise the full sum of 2.5 milliards, is about to begin. When the transition period of the Experts' Plan has expired, it will be possible to survey conclusively the effects of the existing settlement, and its results will have to be determined.

I need not repeat nor emphasise again how Germany stands toward the necessity of doing her part in order to meet the obligations under the Experts' Plan. The proposals of the Reich Government for the 1928 budget give practical proof of the earnestness of our determination.

Productivity of the economy, with a view to realising genuine surpluses and genuine formation of capital, is the necessary basis for the maintenance of our public administration, and of the budgets not only of the Reich but also of the States and communes. The entire policy of the Reich has always aimed at this goal. In a period of the most difficult general economic conditions not only at home, but also in the world economy, it was necessary to seek, among the ways that were available here, those which promised success most quickly. Differences of opinion on the way to be chosen have existed here and there. We may regard the slow but steady development of large parts of the economy lately as proof that the ways taken were in general the right ones. Whatever efforts we may make in this field, however, success is dependent not least of all on the opening by foreign countries on their part also of the outlets which have hitherto been closed to our exports. Many hindrances to trade

still exist; it is still necessary to help the correct realisation, which the Agent General also adopted in his last Reports, to gain ground among those who are the creditors of the reparation payments, and who if they wish to receive these, must ultimately, according to inescapable economic laws, be the purchasers of our merchandise in some manner.

As regards foreign loans, the Reich Government has repeatedly expressed clearly its practical object of favouring only those loans which may be regarded as impossible of postponement and which are used for directly productive purposes. Foreign loans for the economy have been necessary in the past; they will be necessary also in the future. The foreign credits of the public corporations must be examined individually with the grestest attention. What has been done in this matter in order to strengthen the Advisory Office for Foreign Credits in its rights of examination and in order to guarantee the basis of the knowledge for its judgments is known. (Cries from the Left). The result of the inquiry on the chief loan requirements, particularly of the large communes, will facilitate the examination of individual loan applications along lines which take into account all important loan requirements. (Cry from the Communists). The inquiry has just been concluded; the material is at present still being collated. An attempt must be made to solve the problem of public credit financing, which is so important for Germany, in a sense which corresponds to the true interests of the Reich and which makes the discussion of this problem practically pointless. (Cry from the Communists).

In order to gain further clarity on the finances of the States and communes, the Reich Government will stimulate statistical work as much as possible and make it available to the public. It will expand statistical inquiries and thus create the basis not only for a profounder knowledge of the financial practices of the States and communes, but also for the management of the public finances in general on the basis of this knowledge. In this connection it is particularly intended to have a continual survey of the receipts and expenditures not only of the States but also of the communes, so as, just as in the case of the Reich, to provide a clear picture of the status of the public finances at shorter intervals than in the past. In doing so it is intended to obtain more information than has been available in the past on the budgetary practices of the smaller communes which, in the totality of receipts and expenditures, form an important factor in the economic burden and thus in the whole economy. The questions to be answered by the statistics are inseparably connected with the execution of the administrative reform which is to make it possible effectively to simplify the arrangement and structure of the administration in the Reich, States and communes. The administrative reform, concerning which I still have something fundamental to say, is being demanded by a unanimous will of the whole people. The economy, the currency and the finances depend to a great extent on the successful solution of the tasks raised here. The consciousness of this fact will prevent the impulse, on which today the reform movement is based, from becoming crippled. The conference with the States, which was concluded yesterday, has brought us a good bit forward on the way toward the most economical organisation of the apparatus of the public corporations

- of an administration intended to do the greatest amount of work at the smallest cost. In conjunction with the States, the Reich Government will not cease practically to further the questions and to fulfil what the hour demands of us in this field. We are thus making a beginning which will not be without results if you are willing to go along with the Reich Government in these points.

Like that of the question of internal finance, the clarification of our external financial relations is also a future question of the first order for our nation. In the concluding chapter of his last Report, the Agent General intimated that the definitive fixation of Germany's reparation obligations on an absolute basis and without control from without must be considered. But according to him there is to be coupled with this settlement the surrender of the transfer protection which is provided in the Dawes Plan and which forms a decisive pre-requisite for our payments and their amount.

The Experts' Plan itself suggests the necessity of seeking a definitive solution; and it would be not revising the Plan, but completing it, if after adequate practical experience the conclusive settlement is found. An unsolved reparation question is the fundamental evil from which not the German people alone are suffering, although they are the ones primarily affected, but also the other nations forming part of the world economy. The Experts' Plan for the first time comprehended reparations as an international economic problem in all its significance. The Plan brought out sharply and clearly the concurrence of the interests of all economic nations in world economic order. We must go forward on this way which leads to recovery through economic reason, which replaces with clarity an uncertainty which burdens the world economy, and which substitutes,

for wavering foundations, security; in doing so the world will have to entrust itself to the leadership of men whose economic knowledge and experience guarantee the avoidance of mistakes. The opinion of the entire world is doubtless in agreement that, in the interests of the community of nations, there must be no more disregard of the economic reason on which the Experts' Plan is based. Any solution of the reparation question which contradicts economic laws is doomed to fail. The conviction of the Experts, that in the long run payments made by a national economy without receiving counter-values can originate only out of genuine and transferable surpluses of the economy, is gaining ground. The measure of the German obligation is being determined by this realisation. Fulfilment of the Experts' Plan can be built up only on this foundation. Clarity as to these pre-requisites is the prime necessity!

Among the expenditures which I have described as inevitable I have included also the expenditures for social insurance and unemployment relief. In this connection a word on social policy in general. There will be no contradiction whatever when I say that social policy must be based on economic policy and be kept within its limits; the one without regard to the other is inconceivable. The achievements of German social policy in the years since the war are such as to command respect. The total collections of contributions and subsidies to social insurance reached in 1927 the amount of 3½ milliards as compared with almost 1.4 milliards in 1913. The Reich subsidy has increased from 59 millions before the war to 300 millions. The monthly allowance to invalids has increased from 30 to 35 M. on the average, as against the actual general average before the war of about 16 M. and an average for industrial workmen

of 19 to 20 M. Progress has been made also in regard to the insurance of employees and of miners, as also in respect to the extensive area of public charity. And yet how much remains still to be done!

The weakening of the national health and power of resistance, the increase caused by the war in the number of insured and of persons receiving social allowances, and likewise the loss of property caused to the insured and to the insurance organisations by the inflation, require very much larger expenditures in social insurance and likewise in social relief. The necessity recognised also in the Experts' Plan, of not permitting the standard of living of the German population to decline below the level of other nations, requires us to continue along this way. A continuation which must naturally have full regard to the actual capacity of the German national economy - no person with a sense of responsibility can desire anything else - but which, on the other hand, must not be hampered by the inciting and wounding statement that the expenditures caused by this social policy are in the end nothing but superfluous and unproductive expenditures. Anybody who is familiar even in some degree with the great material distress of many of our population - including those who are still engaged in the process of production as well as the many who have been driven out of it and are suffering the bitterest want -, anybody who knows what measure of internal embitterment has filled these classes of our population, must recognise that it is a great and obligatory task of the State too to intervene here and to give relief in the interest of the State itself. (Very true!) And this is particularly true of a State which, as a social, democratic state, has the duty of

creating living conditions worthy of human beings not only for particular classes, but for the nation as a whole. (Very true!) Let us not forget, in spite of all political questions and discussions, the social question; the present time makes us realise this especially clearly!

So much for the 1928 budget. It would be short-sighted if I were to restrict my remarks merely to the budget of the year just mentioned, all the more so as the year 1929 is already casting its shadow in advance. In 1929 the reparation charge increases another 300 millions; the non-recurrent receipts which can be used to balance the budget in 1928 - that is, the remainder of the one-half milliard surplus from 1927 and the profits from coinage - will not be available in 1929. Whether - in place of them - an increase in current receipts would be possible through a greater mobilisation of taxes in arrears depends very largely upon the general economic situation in addition to other considerations. The change in the dates of collection for various indirect taxes which is recommended here and there would afford only a non-recurrent relief if it were adopted. The 1929 budget will therefore probably be in a less favourable position at the outset. Whether this will be avoided perhaps by an automatic increase in revenues - naturally an increase in the rates of taxation cannot be considered in any sense- and whether a further portion of the decline in receipts can be covered by great reductions in expenditure, is not yet clear today. But it is certain already that great efforts will be required to produce budgetary equilibrium. In this connection it will be of particular importance whether appreciable savings can be realised by a comprehensive reorganisation of the Reich administration. This situation

of the Reich is accurately described in the report which the general budget reporter of the Reichsrat, Ministerialdirektor Dr. Brecht, made during the budget discussions in the Reichsrat, and which, together with the interesting tables prepared by him, is annexed to the survey of the budget. The justification of Dr. Brecht's remarks on the limited possibilities of effectiveness under present legal conditions is illustrated best by the fact - and this seems to me to be a very significant fact in several respects - that even the Reichsrat did not succeed in finding full cover, through corresponding reductions in expenditure, for the increases in expenditure which it made in the 1928 budget. On the contrary, the Reichsrat found the cover partly by simply increasing the estimated surplus of 1927, a procedure with which, after what has been said about the necessity of reducing borrowing requirements, I cannot agree. (Very true! from the Right).

You see that not only consideration of the necessary relief to economic life, but also the condition of the Reich itself must inexorably lead, in the question of the great reform in regard to the relationship between the Reich and the States, an economical financial system and a reform of the public administration, to an immediate abandonment of the stage of resolutions and deliberations and to action. In clear recognition of the obligations placed upon it in this field and of the rôle as a leader which it is called upon to play in the solution of these problems, the Government of the Reich has moreover proceeded to act. It is convinced that practical results must be achieved as early as possible if the German nation is not to stifle under the charges now placed upon it. It was this great object that was served by the conference between

the Reich Government and the Prime Ministers of the German States which took place during the last few days and which was based upon the idea of substituting understanding for strife. The results of the conference as set out in the resolution published have met with varying judgments among the public. I venture to think that, regarded as a whole, the results are not unsatisfactory. The recognition of the necessity of a new settlement of the relationship between the Reich and the States, the agreement that measures must be taken to secure the most economical financial practices in the Reich, the States and the communes, and that tasks of administrative reform must be carried out with despatch, seem to me, after all, to be items which should be entered on the assets side. It will depend largely on the two committees appointed to carry out these tasks whether practical results make their appearance in the near future as a result of this collaboration between the Reich and the States. It is true that no agreement was reached on the question whether the changes in the relationship between the Reich and the States are to strengthen unitarian or federalistic forces or as to what combination of the two forces in a new form is possible. Who expected this ? What seems to me to be important, however, is that there was unanimity that a strong Reich authority is necessary. From this there result automatically definite consequences. It seems to me also to be a further step along the way to a sound organic structure of the Reich that the idea of the creation of Reich States, frequently recommended, was rejected. Both in the question of the combination of small States with neighbouring States, as well as in that having to do with the dissolution of the numerous existing small enclaves and exclaves, progress was made.

Negotiations to this end between Saxony and Thuringia are on the point of conclusion. On its part the Government of the Reich declared that it was prepared, in order to relieve financial distress on the part of the States caused by the course of developments, to take over into the hands of the Reich, in excess of the constitutional competence as at present defined, appropriate administrative functions of such weak States. I need merely mention here that, for example, the administration of justice is also being considered in this connection. The Government of the Reich has, moreover, offered its good services for the purposes of assuring agreements on the absorption of smaller States into neighbouring States as well as for the dissolution of enclaves and exclaves. It has gone even one step further and has expressed its readiness to establish an office which will act in close touch with the States in such a way as to make suggestions, to mediate and, upon request of those concerned, to arbitrate. The whole attitude of the Reich Government in these negotiations was based on a desire to achieve the great aim of understanding. It cannot be the function of the Reich Government to extend its sphere of authority through deliberate financial undermining or similar measures to the detriment of the States. On the contrary, by means of mutual agreement it hopes to create full unity for the Reich while at the same time preserving the healthy distinguishing characteristics of the German tribes. The war cry 'unitarianism versus federalism' must not lead to a decline in loyalty to the Reich and to a weakening of the Reich and its strength. Even one who entirely agrees with the federalistic basis of the Reich constitution, and who believes that the strength and vigour of the Reich depends upon the welfare of its component States,

cannot maintain that each and everything must be preserved in exactly the form which it had before the war, for between that time and the present lie developments of the most gigantic nature, and it is simply impossible to close one's eyes to them. To take the federalistic point of view cannot mean that simplification is to be merely talked about and that nothing is to be done. It seems to me to be one service done by the conference that it recognised these things and expressed them clearly in the resolution. The cry for simplification of the constitutional structure of the Reich is resounding throughout the entire nation. The reorganisation of the constitutional relationship between the Reich and the States is on the march. Let us treat the question with the seriousness and the gravity which it deserves. Let us in doing so avoid both programmes calling for desolating uniformity as well as for a purely economic manner of looking at things just as much as we avoid a rigid clinging to forms that have been outlived.

Of extraordinary importance seems to me to be the agreement between the Reich Government and the State Governments in the view that measures must be taken to secure the most economical financial practices in the Reich, the States and the communes. Such measures have been the subject of more or less impassionate discussion among the public for a long time. Even though one is often inclined to wish that many an energetic person who suggests the most radical proposals for change, even in his own field of activity, might abandon the drafting of memoranda and proceed to a policy of action, there can be no doubt whatever that these demands do involve questions of the greatest importance. Ample precautions must be taken in order to assure that the costs of the functions of the

public corporations are appreciably reduced. In this connection it will be necessary to distinguish between measures which require constitutional amendments and those which are legally and politically possible even today without such amendments. I am not inclined to place such a very decisive importance on the right of veto to be exercised by the Reich Minister of Finance or by another authority in respect to increased expenditures upon the initiative of the Reichstag and the Reichsrat. What seems to me sounder and more effective in this field is chiefly the exercise of self-restraint on the part of the Parliament, perhaps through its rules of procedure. In England the initiative of the Parliament in the field of politics is restricted in the sense that the right to make motions for expenditures and to propose changes in existing taxes or new taxes is exclusively in the hands of the Government. The restriction of parliamentary initiative is based on provisions of the rules of procedure of the House of Commons, the so-called 'Standing Orders'. According to these rules, proposals to increase expenditures or to approve expenditures for which no credits are required, as well as motions to increase the rates of taxation or to reduce them, can be made the subject of debate only if they come from the Government. It is unnecessary to emphasise further the extraordinary importance of such a provision adopted by the Parliament itself. In England it is considered to be a correlative of the parliamentary system. Even though the conditions of another country, as they have been shaped through history, cannot be automatically and rigidly applied to the young parliamentary system of government in Germany, the object of this strong self-restraint of the Parliament in a country which is ruled by the parliamentary

system must, in principle, deserve imitation. Another question which will have to be examined is the manner in which the expenditures and receipts of the communes can be subjected to closer control within the limits of the supervision exercised by the States over the communes.

I hope that the committee appointed to take up just these questions of financial policy will arrive at concrete proposals as soon as possible.

In principle the thing of vital importance to the Reich, the States and the communes is a common adjustment to the general problem of the oppressive burden arising out of the increasing obligations due to the war. Our resources are too small to meet all the requirements of the public corporations. The result must not be that we begin to dispute among ourselves, in a manner tending to lead to outright conflict, as to which of us is to have the greatest liberty of action within the narrow limits of our resources, but we shall have to join together tc shape our total needs to our available resources. Not only the system of expenditures but the entire financial system, including the policies of all public corporations in respect to taxes and similar matters, will have to be adjusted according to great uniform points of view. It is an absolute impossibility for a State or a commune, for instance, to take the attitude: The reparation charges and the other consequences of the war and the Versailles Treaty are of no interest to me; the Reich has to take care of them. No, the entirety of the public corporations must face these consequences and these charges. It is this fundamental idea that must be at the bottom of the reform of the public administration with which the conference of the heads of the

Governments also concerned itself.

And now a word also about administrative reform. There is no difference of opinion in Germany as to the necessity of a clear delimitation of jurisdictions and of an organic administrative structure which is as simple as possible. We must get away from fruitless and expensive waste in the most varied fields and give up the superfluity of administrative steps even in trifling matters. In its impoverishment the German people can simply no longer afford the luxury of two or more authorities working alongside each other and against each other. The question of a reform of the public administration in Germany has become such a burning one that it will tolerate no more delay. But the great danger is that an early practical result may be prevented or delayed by the attempt to solve at one and the same stroke the great constitutional and political problems lying in the historic structure of Germany. My conviction is that in this question too it is more important and more necessary, both from the financial point of view and from the standpoint of what is practically feasible, to begin from below rather than at the top. A reform in local district and provincial authorities is what we need above all things. There are already valuable beginnings in this direction. The great problem of the relationship between the Reich and the States will and must slowly mature. In my judgment it would be a fatal mistake to make the necessary and possible administrative reform entirely dependent upon the definitive solution of the great problem. If anywhere, the proverb applies here, that the best is the enemy of the good.

At the conference of Prime Ministers there was general agreement that the reform should apply particularly to an expedient amalgamation of authorities hitherto existing alongside each other and likewise an expedient delimitation of the districts of the local and middle authorities so as to adjust them to present-day conditions of transportation. The Reich and the States agreed upon collaboration in order to assure uniformity in the execution of the reform in the States and harmony with the corresponding measures of the Reich. In the Reich this work has already been begun with regard to the Reich administration. In carrying it out, the Government of the Reich will use as the basis of its work also the resolutions which the Reichstag adopted in its meeting of December 14th last and which called for the elimination of unnecessary Reich offices and for a corresponding amalgamation of authorities whose competencies have hitherto been separate and who have hitherto had different administrative districts. In accordance with the opinion of the Reichstag, it is primarily the small State revenue offices and revenue offices, postal authorities, higher and lower relief offices, (Landesfinanzämter, Finanzämter, Oberpostdirektionen, Hauptversorgungsämter and Versorgungsämter) etc., that are to be done away with. Moreover, a redistribution of official functions is intended for the purpose of a progressive reduction of officials and the realisation of greater independence and of a more responsible activity on the part of the various official groups.

In my own administration this work is already under way. In connection with the reform of administration and simplification in various German States the number of revenue offices is to be

reduced. In agreement with the Bavarian Government, a great number of revenue offices, at least 40, are to be abolished in Bavaria. Negotiations to this end are under way. Similar measures are impending in other States. The number of State revenue offices is to be reduced. In this change of organisation care will have to be taken that the districts of the Landesfinanzämter, the Oberpostdirektionen and the Eisenbahndirektionen agree with each other wherever possible. (Very true! in the Center).

The transfer of the tax administrations of some States to the Reich, at the desire of the States, also serves the object of simplifying the public administration in general. Another step in this direction is the attempt begun since October, 1927, to have the affairs of the Reich Building Office (Reichsbauverwaltung) taken over by the State Building Office - an attempt which, I hope, will succeed and can then be extended to conditions throughout Germany. As to the changes of organisation carried out in the Reich Finance Administration itself, I should prefer not to make any further statements at the present moment; what I want to do is merely to make it clear that reorganisation is under way and that the promise of a comprehensive reform of the public administration of the Reich, with a view to simplification, which was given on the occasion of the passage of the salary reform, is being fulfilled. The agreements with the States give reason to hope that this reconstruction of the public administration will extend also to the administrative authorities of the States, and that the idea of economy will spread wider and wider throughout the public administration. It is also this idea that the new proposals are intended to serve which the Reich Government will shortly submit to the

Reichsrat for the creation of a Reich Administrative Court. A reform is necessary everywhere in the Reich as well as in the States. If then the voluntary organisations of economic life in the many associations of the most varied kind, with their many divisions into professional, local, State, central and Reich organisations in the fields of industry, agriculture, transportation, trade and handicrafts, etc., and with their very extensive personnel and in many cases their very considerable call upon the funds of their members, join in this movement of simplification and reform in respect to their own organisations and follow with good examples, I do not doubt that the present movement will be accompanied by success. (Very good!)

In the United States of America there has been working for several years a special office set up to realise economies. In my opinion, the creation of such an office is not so exemplary as the spirit to which it gives expression and which emanates from it. In the United States the entire nation is permeated by the conviction that any saving in the public administration affords the possibility of reducing the public charges, and that every reduction in taxes represents a step forward in the development of economic life and above all - for economic life is not an end in itself, but only a means to an end - a step forward in the welfare of the entire nation. And so it has been possible to arouse what may be termed literally an ambition and a competitive struggle between the various branches of the administration with a view to realising economies voluntarily and upon their own initiative. This feeling that saving is not merely the duty of the Finance Minister and the Commissioner of Economies, but a matter involving the honour of

every single office and every single official, must be aroused and stimulated with us too. I therefore call upon the will to enter into a competitive struggle of this kind without which all administrative reform, all laws and all constitutional amendments must ultimately be nothing more than experiments upon an unfit object.

The year 1928 faces the German nation with the vital question whether we want to remain the shapers of our own future and our own destiny by sacrificing many desires and many traditions which have grown dear to us. I should have to doubt in the future of Germany if we were unwilling to answer this question in the affirmative and to act accordingly. The pathway of the German nation has often led through the black night; its emergence involves struggle and pain. May history eventually apply to the German nation and its accomplishments in these difficult years the words of the poet Gottfried von Strassburg, who said: It was given a full measure of two things, suffering and success! (Warm applause).

QW.

I.I.9.4140 DOC. 283

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 21, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT DECEMBER 31, 1927.

(cf. DOC. 277)

The following is a translation of the balance sheet of the Rentenbank as at December 31, 1927, as published in the Reichsanzeiger No.16 of January 19, 1928:

	November 30, 1927	December 31, 1927
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2 000 000 000.-	2 000 000 000.-
Rentenbriefe as on 30.11.1927 Rent.M. 1 699 844 000 as on 31.12.1927 " 1 699 842 000		
Loan to the Reich	816 957 379,03	810 107 205,14
Other debtors	59 391 123,99	-
Outstanding claim (Rentenbankkredit-anstalt)	-	59 950 637,34
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	36 079 552,45	352 257.49
Real property of the Bank	300 000.-	300 000.-
Office furniture and supplies	17 950,20	25 217,12
Miscellaneous assets	57 041 379.54	3 519 233,10

LIABILITIES	November 30, 1927	December 31, 1927
Capital	2 000 000 000.-	2 000 000 000.-
Rentenbank notes in circulation	797 926 205.-	739 866 707.-
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338 40	-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	-	70 082 498.29
Rentenbriefe in circulation	156 000.-	158 000.-
Credit balance of the Rentenbank-Kreditanstalt	42 127 141.70	4 931 499.-
Profits to reserve	38 638 682.05	38 638 682.05
Reserves	6 219 604.58	5 969 075.33
Miscellaneous liabilities	448 285.93	524 845.76

Under § 7a of the Law on the liquidation of Rentenbank notes, a further Rent. M. 4 933 333.78 in respect of interest due from the owners of mortgaged land was paid to the Reichsbank sinking fund; the loan to the Reich and the Rentenbank notes in circulation are correspondingly reduced.

For the RM 53 124 164.- shown at the end of November under "miscellaneous assets" and still at the disposal of the Reichsbank from the transfer of the value of the last third of the economic credits to be wound up by November 30, 1927, Rentenbank notes to an equivalent amount in Rentenmarks were amortised in the course of December.

Further, the Rent.M. 2 000 in Rentenbank notes received in exchange for the GM 2 000 in Rentenbriefe issued were withdrawn from circulation. As, after the winding up of the economic credits, the proportion of interest

to be paid to the Reichsbank under § 11, paragraph 4 of the Law on the liquidation of Rentenbank notes is fixed, it was possible to use for the further amortisation of the loan to the Reich the amount (RM 1 916 840.11) by which the share of the Reich in the net profit of the Reichsbank down to December 31, 1927, paid into the sinking fund for Rentenbank notes under § 7c of the Law on the liquidation of Rentenbank notes, exceeds the interest due.

The liquidation credits shown under "other debtors" and not amortised at the end of November from the sums repaid by borrowers have been transferred to the Rentebank-Kreditanstalt for collection.

The item "balance in hand, giro accounts, postal cheque accounts and accounts with other banks" is reduced by the amount of the decline in the credit balance of the Rentenbank-Kreditanstalt.

The total volume of Rentenbank notes redeemed since the coming into force of the Law on the liquidation of Rentenbank notes is:

Rentenmarks	207 975 954.75	in virtue of § 7a of the Law	
	180 000 000.-	" " § 7b " "	
	71 999 338.40	" " § 7c " "	*)
	880 334 583.-	" " § 11 " "	
Rentenmarks	1 340 309 876.15		

*) Made up as follows: RM 70 082 498.29 representing the share in interest under § 11, paragraph 4 of the Law.
RM 1 916 840.11 representing the surplus of the share of the Reich in the net profits of the Reichsbank.

Transl. 5385.

I.I.9.4140 DOC. 284

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 18, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT JANUARY 31, 1928

(cf. DOC. 283)

The following is a translation of the balance sheet of the Rentenbank as at January 31, 1928, as published in the Reichsanzeiger No. 41 of February 17, 1928:

	December 31 1927	January 31 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2 000 000 000.-	2 000 000 000.-
Rentenbriefe as on 31.12.27. Rent.M. 1 699 842 000 as on 31. 1.28. " 1 699 844 000		
Loan to the Reich	810 107 205.14	791 013 751.76
Outstanding claim (Rentenbank-Kreditanstalt)	59 950 637.34	59 505 702.13
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	352 257.49	214 049.33
Real property of the Bank	300 000.-	300 000.-
Miscellaneous assets	3 519 233.10	3 421 646.13

	December 31 1927	January 31 1928
L I A B I L I T I E S		
Capital	2 000 000 000.-	2 000 000 000.-
Rentenbank notes in circulation:		
in public circulation	739 866 707.-	650 692 756.-
under earmark with the Reichsbank	-	70 082 498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70 082 498.29	70 082 498.29
Rentenbriefe in circulation	158 000.-	156 000.-
Credit balance of the Rentenbank-Kreditanstalt	4 931 499.-	4 006 046.04
Profits to reserve	38 638 682.05	38 638 682.05
Reserves	5 969 075.33	5 969 075.33
Miscellaneous liabilities	524 845.76	501 743.15

Under § 7a of the Law on the liquidation of Rentenbank notes, a further Rent. M. 4 093 453.38 in respect of interest due from the owners of mortgaged land was paid to the Reichsbank sinking fund, together with the Rent. M. 15 000 000.- due on January 2 under § 7b; the loan to the Reich and the Rentenbank notes in circulation are correspondingly reduced.

The Reichsbank has withdrawn from circulation and specially earmarked Rentenbank notes to the amount of the interest to be credited to it under § 11 paragraph 4 of the Law on the liquidation of Rentenbank notes.

The reduction in the circulation of Rentenbriefe resulted in a corresponding increase, to the extent of Rent. M. 2 000, of the Rentenbank notes in circulation.

The total volume of Rentenbank notes redeemed since the coming into force of the Law on the liquidation of Rentenbank notes is:

Rentenmarks	212 069 408.13	in	virtue	of	§	7a	of	the Law
"	195 000 000.-	"	"	"	§	7b	"	"
"	71 999 338.40	"	"	"	§	7c	"	"
"	880 334 583.-	"	"	"	§	11	"	"
Rentenmarks	1 359 403 329.53							

Transl. 5433

I.I.9.411 DOC. 285

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 9, 1928.

ANNUAL REPORT OF THE REICHSBANK FOR THE YEAR 1927

(see DOC. 245)

Translation of pages 1 to 21 of the German text.
(For Annexes I and IV to VII see German issue)

The gradual improvement in the economic conditions of Germany, which had already begun in the second half of 1926, continued on the whole to increase until well into the second half of 1927, and was maintained for the remainder of the year. In the main it was an internal German improvement, effected throughout with the aid of foreign capital borrowed on a far-reaching scale. In spite of the rationalisation of the economic machinery of the country, which was resolutely continued, the unemployment figures were still further reduced. Unfortunately the results achieved are not by any means assured of permanence at all points, and will not be while obstacles having their origin in foreign politics continue to induce that atmosphere of nervousness which is at present to be found everywhere in the German business world. Germany needs, in order to live, not only to be freed from the fetters imposed by foreign politics, but also to be able to rely for the fulfilment of her reparation liabilities on a readiness of foreign countries to take her products and services to a proportionately greater extent than she herself takes the products of foreign countries.

The improvement in the position was one of the contributory causes of the transformation which set in at the end of February 1927 in the money market. A lavish influx of foreign loans at a time when business was still slack and the demand for capital correspondingly restricted led in 1926 to a marked cheapening of the rates for money, and left the Reichsbank high and dry and out of touch with the money market, in spite of repeated lowering of the discount rate from 9 to ultimately 6 per cent. It would have been possible in November or December 1926 again to reduce the discount rate; but it appeared to be wiser to wait until the end of the year settlements were safely past. When in the first days of January the rates of the open market began quickly to sink after the customary tension at the end of the year, and in the first week of January the reflux of money to the Reichsbank set in with exceptional force, the discount rate was once again lowered (on January 11, 1927) from 6 to 5 per cent. The Reichsbank insisted at the time that only practical experience could show whether the new rate could be regarded as having an assured permanence over any length of time. At the time it was expected that the reduction of the interest level inside Germany would lead to a falling off in the influx of foreign money. This supposition proved to be correct down to the beginning of the second half of February. From that time on the rates of the open market continued to rise, as a result partly of rapidly increasing demands on the internal capital market in the shape of capital issues by public bodies (notably the large loan of the Reich, which came upon the market as a surprise), and partly of the progressive improvement in the position in general

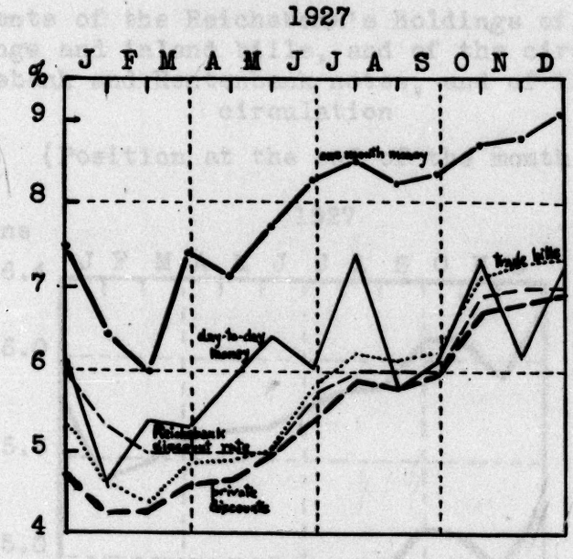
and the marked expansion of Stock Exchange speculation, financed on a credit basis, in particular. The rates paid for Stock Exchange money reached so high a level, in comparison with the very much lower rates in the bill market, that foreign money was attracted on a considerable scale on short term to finance the requirements of the banks and Stock Exchanges in this connection. The development of the position on this occasion showed that the Reichsbank rate (which after all is applicable only to one part of the operations of the money market, that is to say the discount of bills) is not always in a position to influence effectively the inward and outward movements of foreign capital. The Reichsbank accordingly was at pains, in order to prevent excessive credit facilities being accorded by the banks for outside purposes beyond the control of the Reichsbank rate, to direct attention on more than one occasion to the need for the maintenance of adequate liquidity in private banking business. These indications having met with an appropriate response in the shape of restrictions on Stock Exchange credit transactions, the discount rate was raised again on June 10 from 5 to 6 per cent. On October 4 the increased demands of industry and commerce led to a further increase to 7 per cent.

When the discount rate was lowered on January 11, 1927, the rate for <u>loans on collateral</u> was left at 7 per cent with a view to curtailing the heavy demand for loans which had been a feature at the end of the month in previous months, owing to the desire of the applicants to avoid the discount of bills. When the discount rate was increased on June 10, 1927, the rate for loans was left unchanged and it was not until October 4 that it was increased to 8 per cent.

Graph 1 shows the development of the rates of interest on the open market as compared with the discount rates of the Reichsbank. It can be seen that the rate for one-month money shows an upward tendency from February onwards and throughout the entire year. Day-to-day money also reveals this tendency although there were greater fluctuations, due for one reason to the fact that the market was frequently well supplied with funds owing to timely provision for the end of the month settlements having been made in advance on an extensive scale with the result that rates were often depressed over short periods. The supply of bills in the private discount market (bankers' bills) remained insignificant. The acceptances of the leading Berlin banks amounted at the end of October 1926 for example to RM 263.8 millions and at the end of October 1927 to RM 386.6 millions, as against RM 1,260.2 millions on October 31, 1913. The demand for private discount paper was mainly in connection with the public funds administered by the Reichsbank. The rate fluctuated for the most part very slightly below the Reichsbank rate, to which level it indeed rose temporarily on a number of occasions. The rate for trade bills with bank endorsements, which was in many cases only nominal, remained below the Reichsbank rate until about the middle of the year, since when it has been above the Reichsbank rate.

Movement of the Reichsbank discount rate and of the rates for day-to-day money, one month money, private discounts and trade bills with bank endorsements on the Berlin Bourse

(Monthly averages)



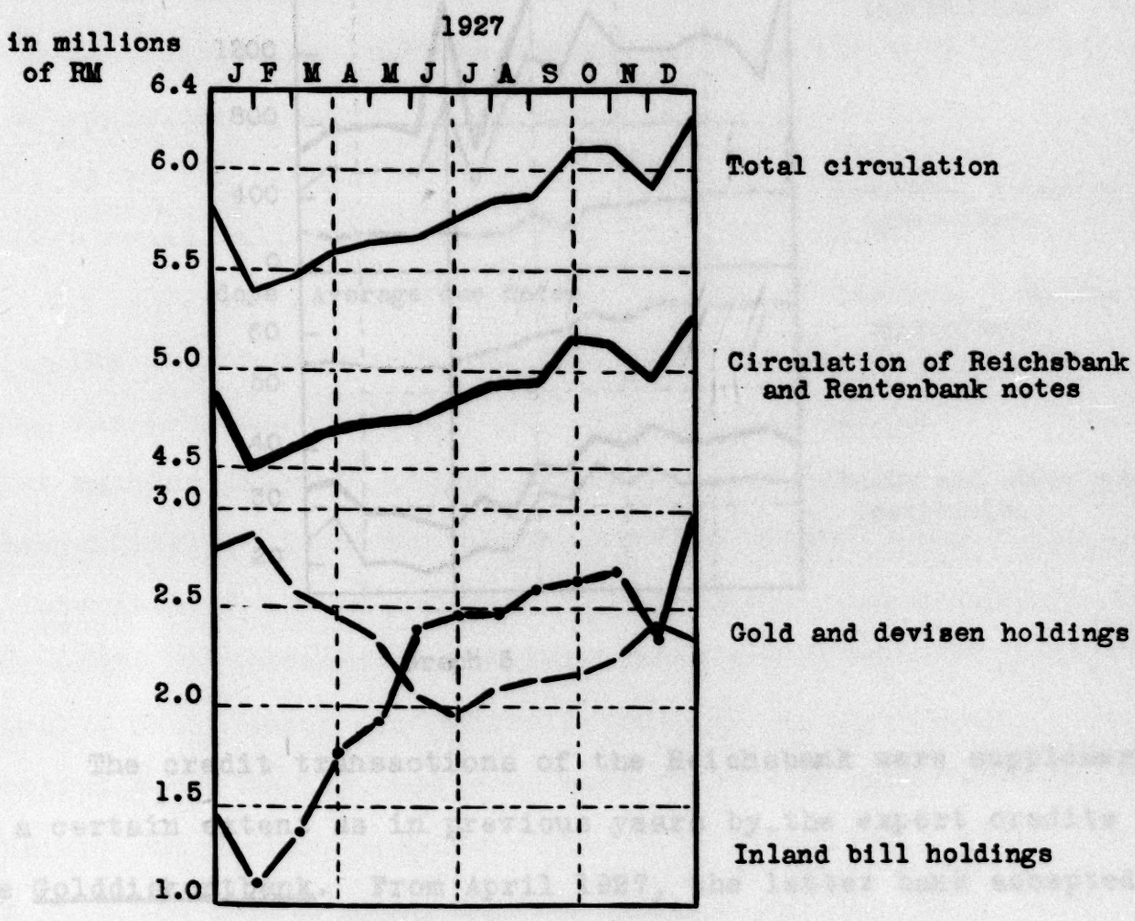
Graph 1

The inland bills holdings, which amounted to RM 863 millions on an average in 1926, rose from February of the year under report very considerably and since the end of May have remained almost invariably above RM 2 milliards. At the end of August, September and October they rose to over RM 2½ milliards, and were close to the 3 milliard limit at the end of 1927 (Graph 2). An examination of the gross increases of inland bills (Graph 3) shows with particular clearness the extent of the recourse to the Bank. It will be seen that the majority of the bills presented came from the banks and other money institutions, whereas the direct presentations from other sources (industry, handicrafts, commerce, agriculture and other circles requiring credit), though they show a similar tendency

to rise, were much less numerous. The average periods of the discounted bills, calculated from date of presentation, also increased as compared with 1926 (Graph 3).

Movements of the Reichsbank's holdings of gold, foreign exchange and inland bills, and of the circulation of Reichsbank and Rentenbank notes, and of the total circulation

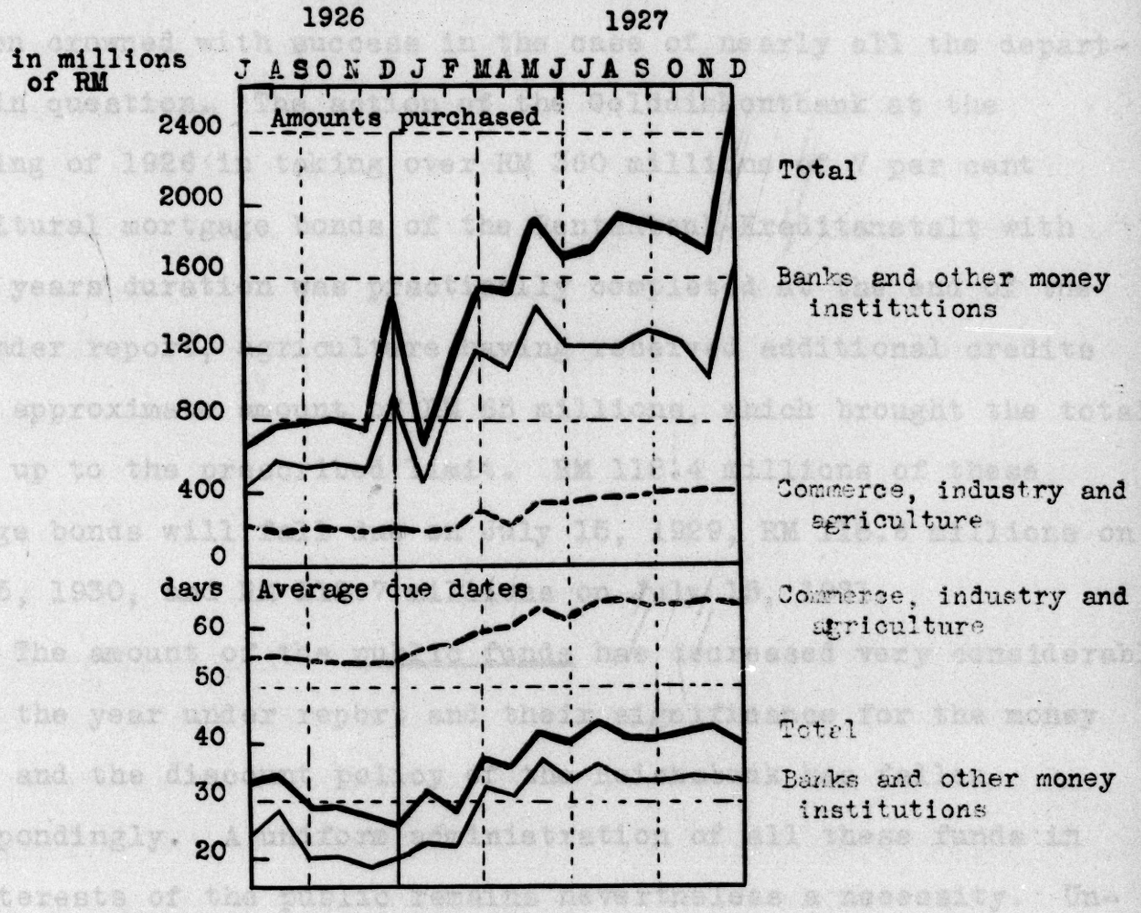
(Position at the end of the month)



Graph 2

Purchase of inland bills by the Reichsbank

(Monthly figures)



Graph 3

The credit transactions of the Reichsbank were supplemented to a certain extent as in previous years by the export credits of the Golddiskontbank. From April 1927, the latter bank accepted Reichsmark bills as well as bills denominated in sterling and dollars. In general however the tendency has been to further curtailment of the discount activities of the Golddiskontbank in accordance with the policy of bringing it gradually to a natural end. The co-operation of the Golddiskontbank in the administration of the public monies is also likely to end in the near future, the

efforts of the Reichsbank to get into its own hands the administration of these funds for account of the interested parties having now been crowned with success in the case of nearly all the departments in question. The action of the Golddiskontbank at the beginning of 1926 in taking over RM 360 millions of 7 per cent agricultural mortgage bonds of the Rentenbank-Kreditanstalt with 3 to 5 years' duration was practically completed at the end of the year under report, agriculture having received additional credits to the approximate amount of RM 65 millions, which brought the total nearly up to the prescribed limit. RM 118.4 millions of these mortgage bonds will fall due on July 15, 1929, RM 118.6 millions on July 15, 1930, and RM 118.7 millions on July 15, 1931.

The amount of the public funds has decreased very considerably during the year under report and their significance for the money market and the discount policy of the Reichsbank has fallen correspondingly. A uniform administration of all these funds in the interests of the public remains nevertheless a necessity. Unfortunately the recognition of this necessity is not yet altogether general. Short money can generally only be employed profitably on a central money market, and even markets of the importance of Frankfort and Hamburg endeavour wisely to establish a close connection with the Berlin money market. Only a central money market is in a position to distribute its funds to all parts of the Reich. The Reichsbank has increased the possibilities in this direction by the introduction of its telegraphic clearing system. Thanks to this system all the money which can be made available for the money market throughout the whole of Germany becomes accessible and can be handled

on comprehensive lines, the administration of public money is (so to speak) rationalised, and the excessive formation of reserves and scattering of resources is prevented. This does not mean that funds are withdrawn from local markets: on the contrary it makes it possible to divert at any time to any district private and public funds which otherwise would be lying idle, and to place them as and where they are required, by which means the local markets far from being denuded of funds are on the contrary enabled to share in the advantages enjoyed by the central market. Germany is not rich enough to allow herself the luxury of the unprofitable employment of capital.

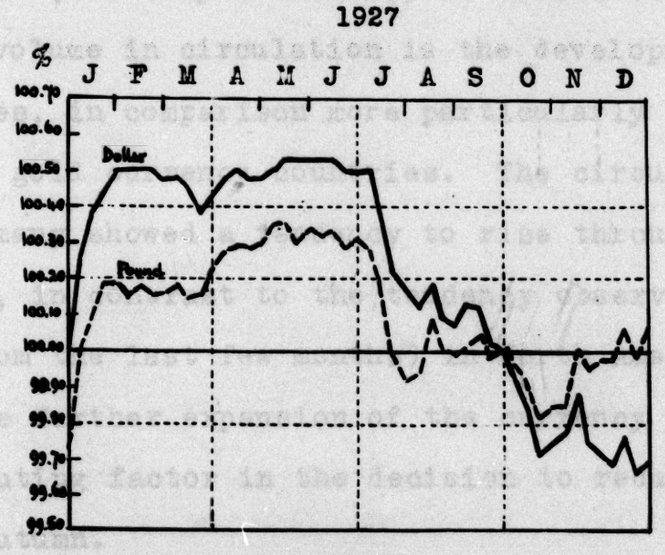
In view of the lack of capital in Germany, the necessity for recourse to <u>foreign borrowing</u> is self-evident. In so far as production can be satisfactorily increased with the help of foreign loans, there is no objection to be made. In the case of <u>private enterprise</u> it may be assumed that this condition is usually fulfilled, since private undertakings are obliged to make accurate estimates of the possibilities of profit. There are of course objections in the case of private as well as public loans where there is excessive or extravagant borrowing, in view especially of the possibility of future changes in the conditions governing prices and production. In the case of the <u>public departments</u>, owing to the monopoly enjoyed by most public undertakings and the part played by political factors, the same considerations do not always prevail. It is therefore still necessary to insist on the utmost possible economy in the administration of the public finances in general and the greatest possible attention to profit-earning

considerations in the public undertakings in particular. The influence brought to bear by the Advisory Office under the control of the Finance Minister of the Reich, in the direction of strict moderation in the contracting of new external loans by the public departments, has strengthened the confidence of foreign countries in Germany's financial administration. Restraint and moderation in financial matters will be as necessary in the future as they have been in the past, especially since in his last report the Agent General for Reparation Payments has brought the question of the definite fixation of the German reparation liabilities upon the tapis. The close connection between the solution of this problem and the currency question imposes upon the Reichsbank new tasks of a heavy and responsible nature.

The gold and foreign exchange policy of the Reichsbank in 1927 was to a great extent conditioned by the foreign loans. As shown by Graph 4, the dollar and sterling exchanges moved until the end of June in the neighbourhood of the gold export point. The main reasons for this are the temporary fall in the influx of foreign capital and the heavy excess of imports over exports in the trade balance, which latter factor is still of the utmost importance for the further economic development of Germany. Neither the release by the Reichsbank of almost RM 1 milliard of foreign exchange (a part of it actually in gold) nor the influx of short-term foreign loans could modify the tendency of the foreign exchanges. In the second half of the year the external value of the Reichsmark rose again, mainly as the result of the renewed heavy influx of foreign loans. When in consequence the exchange rates fell so far that the

gold import point was almost reached, and the possibility of the foreign loans coming into Germany in the form of actual gold began to loom on the horizon, the Reichsbank decided to take gold only at the legal price of RM 2,784.

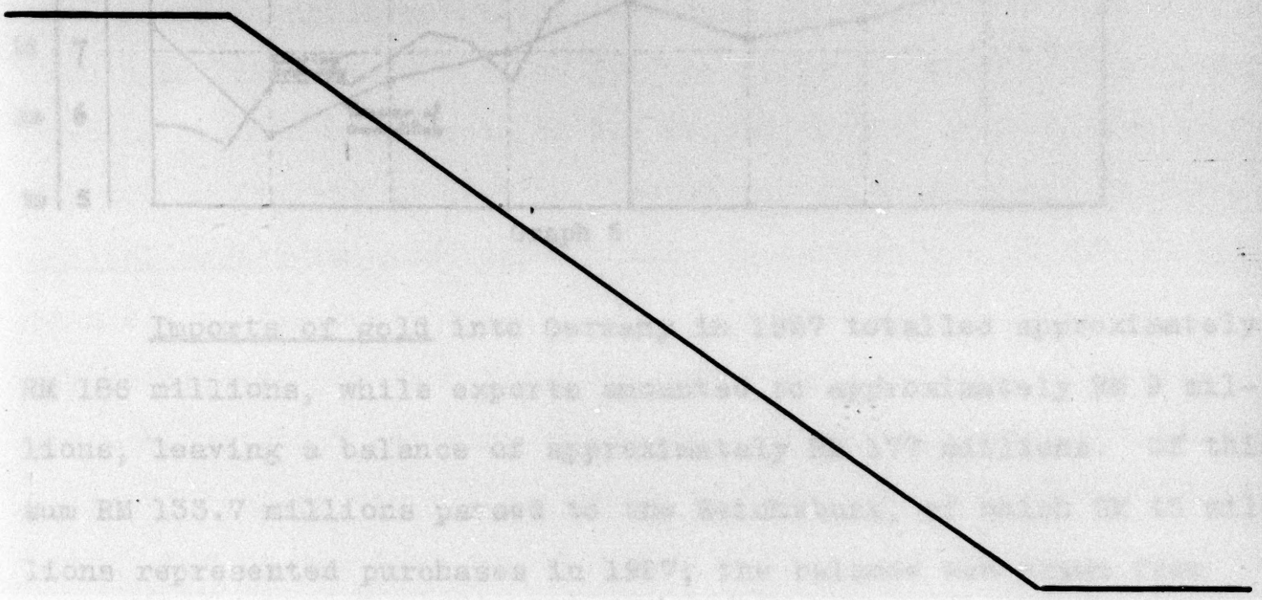
Pound and Dollar quotations on the Berlin Bourse
(Weekly averages in percentage of parity)



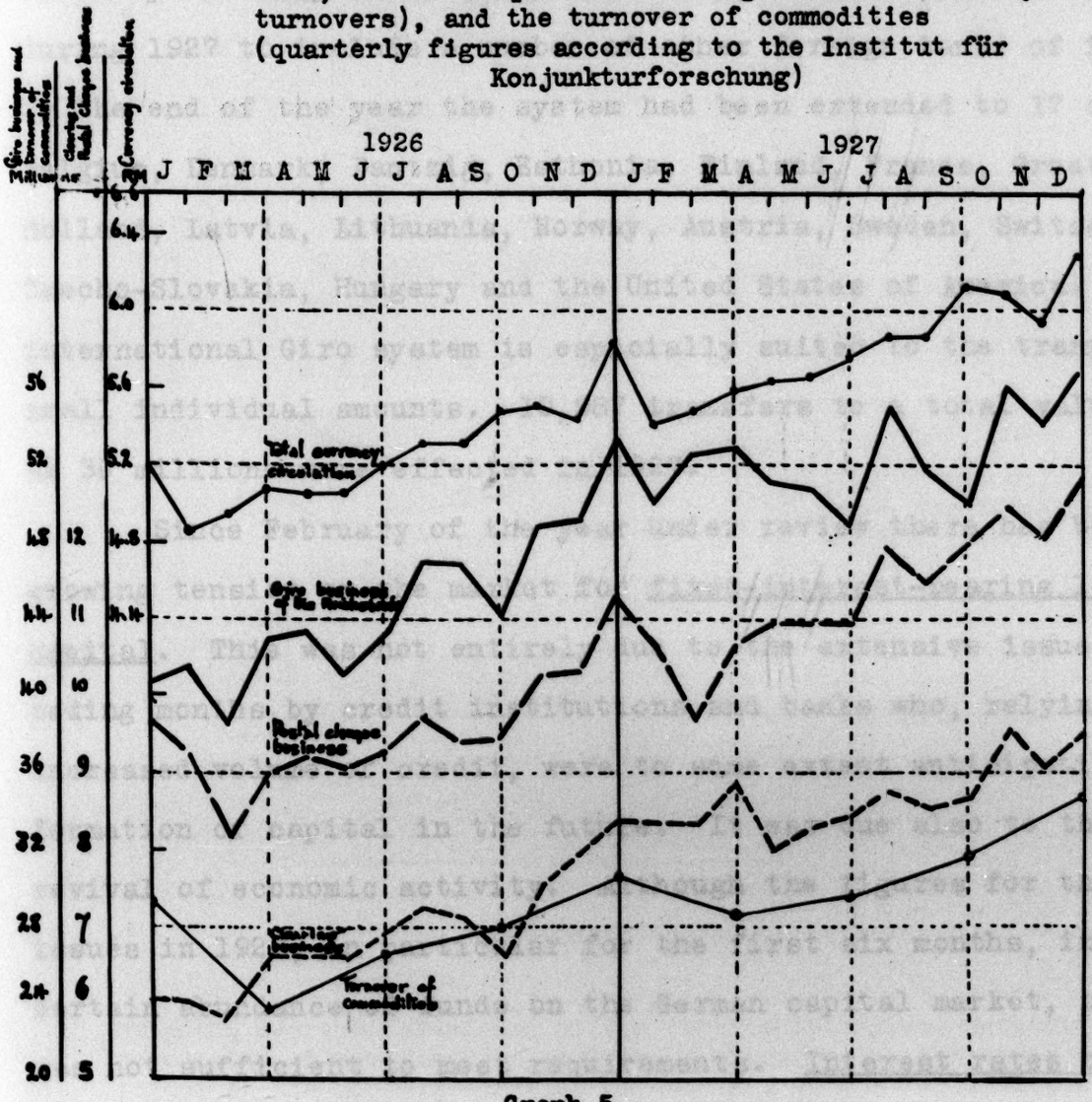
Graph 4

Any heavy increase in the currency circulation, even with full gold cover, is bound prejudicially to affect the development of prices; and experience shows that any rise in prices, even if due to quite natural causes in connection with the supply of commodities or the conditions of production, is nevertheless regarded by wide circles of the population as a symptom of inflation. The cover percentage cannot, and should not therefore be taken by the Reichsbank as the sole criterion. To do so would be to lead industry along false paths. Price and wage increases would lead by a circuitous route to false calculations of profit-earning capacity

and a mistaken policy in regard to expenditure on capital account and business management generally. The currency circulation of a country must always be regulated in due proportion to the extent of the country's economic activity. In times of greater business turnover it can be larger than in quieter periods. The increase in the German currency circulation in connection with the trade revival of 1927 (see Graphs 5 and 2) is therefore justifiable. The test for the volume in circulation is the development of the general level of prices, in comparison more particularly with the development in other gold currency countries. The circumstance that prices in Germany showed a tendency to rise throughout almost the whole of 1927, in contrast to the tendency observed in Great Britain and (apart from the last few months) in North America, called for reserve in the further expansion of the currency circulation, and was a contributing factor in the decision to reduce the discount rate in the autumn.



Movement of the total currency circulation (end of the month), the Giro business of the Reichsbank, Postal cheque and clearing business (monthly turnovers), and the turnover of commodities (quarterly figures according to the Institut für Konjunkturforschung)



Graph 5

Imports of gold into Germany in 1927 totalled approximately RM 186 millions, while exports amounted to approximately RM 9 millions, leaving a balance of approximately RM 177 millions. Of this sum RM 133.7 millions passed to the Reichsbank, of which RM 45 millions represented purchases in 1927; the balance was drawn from gold deposits abroad and was therefore already the property of the Reichsbank.

The international Giro clearing system introduced at the end of the previous year with certain foreign issue banks was extended during 1927 to include a number of other foreign banks of issue. By the end of the year the system had been extended to 17 countries: Belgium, Denmark, Dantzig, Esthonia, Finland, France, Great Britain, Holland, Latvia, Lithuania, Norway, Austria, Sweden, Switzerland, Czecho-Slovakia, Hungary and the United States of America. The international Giro system is especially suited to the transfer of small individual amounts. 10,987 transfers to a total value of RM 39 millions were effected in 1927.

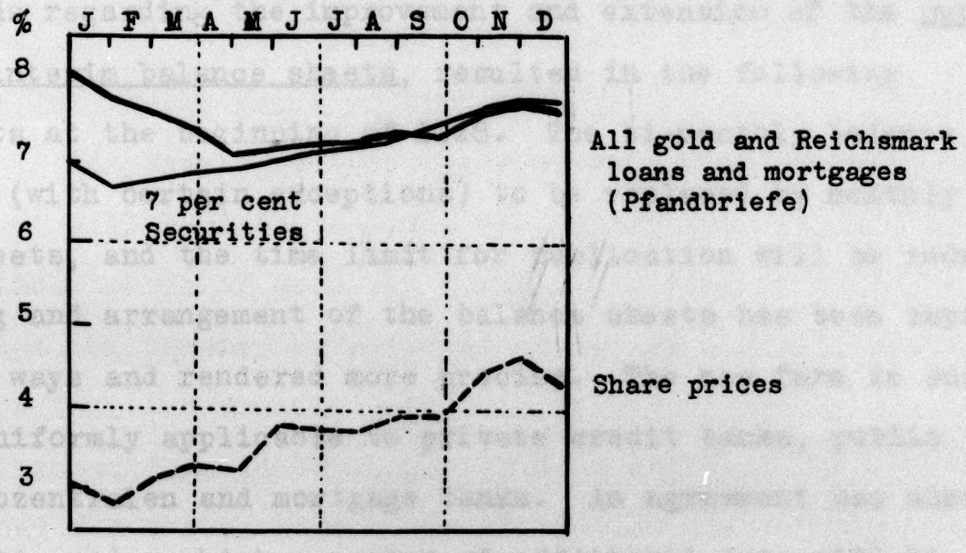
Since February of the year under review there has been a growing tension on the market for fixed-interest-bearing long-term capital. This was not entirely due to the extensive issues in preceding months by credit institutions and banks who, relying on the increased volume of credit, were to some extent anticipating the formation of capital in the future. It was due also to the general revival of economic activity. Although the figures for the capital issues in 1927, in particular for the first six months, indicate a certain abundance of funds on the German capital market, the supply was not sufficient to meet requirements. Interest rates on the capital market remained unfavourable to borrowers. It was indeed possible at the beginning of 1927 to convert the 10 per cent Pfandbriefe of the East Prussian, Saxon and Schleswig-Holstein Landschaften into 7 per cent bonds; but the average return on fixed interest bearing securities (Graph 6) almost always exceeded 7 per cent. During the last few months of 1927 it was extremely difficult to find a market for Pfandbriefe bearing interest at less than

8 per cent. The fact that a large proportion of Germany's savings are absorbed by reparation payments contributes very largely to the higher level of interest which prevails in Germany as compared with foreign countries.

Effective yield on fixed interest-bearing securities[1] and Return on share prices[2]

(Position at the end of the month)

1927



Graph 6

1) Weighted average calculated on the returns from fixed interest-bearing securities, denominated in gold or Reichsmarks, on the basis of the prices of the amounts admitted to dealings on the Berlin Stock Exchange, according to the position at the end of the month (without Kapitalertragsteuer - tax on income from capital).

2) Average return on the capital (without reserves) of all shares admitted to the Stock Exchange, calculated on the basis of last year's dividends in percentages of the prices of the shares at the end of the month (without Kapitalertragsteuer - tax on income from capital).

On the share market the upward tendency of Stock Exchange quotations, which lasted until May, was very largely promoted by the influx of short money from abroad. The after-effects of the inflation throughout large sections of the population and a temporary over-abundance of credit for speculation in securities likewise served to encourage this tendency.

Negotiations between the Reichsbank and the banks and Giro institutions regarding the improvement and extension of the publication of interim balance sheets, resulted in the following arrangements at the beginning of 1928. The bi-monthly balance sheets are (with certain exceptions) to be replaced by monthly balance sheets, and the time limit for publication will be reduced. The wording and arrangement of the balance sheets has been improved in various ways and rendered more precise. The new form is such as to be uniformly applicable to private credit banks, public banks, Girozentralen and mortgage banks. An agreement has also been come to, under which a number of additional data will be furnished regularly to the Reichsbank in explanation of the balance sheet figures.

Total transactions

The total transactions of the Reichsbank in 1927 amounted according to Annex I to

			1926
Reichsbank - Head Office	RM 361,064 millions	(RM 327,298 millions)
" Branches	368,866 "	(RM 299,626 ")
Total	RM 729,930 millions	(RM 626,924 millions)

Gold reserve

The gold unencumbered reserve of the Reichsbank amounted

	to	of which there was deposited abroad
as at December 31, 1926	RM 1,831,383,722.29	RM 170,280,306.91
as at December 31, 1927	" 1,864,643,108.11	" 81,437,319.52

This reserve was composed on December 31, 1927 of bullion and foreign gold coin amounting to RM 1,300,778,038.11 (1926: RM 1,279,642,392.29), calculated at the rate of RM 1,392 to the pound of fine gold.

The development of the reserve during the year under report will be seen in Annex VI. Altogether in 1927 RM 88.8 millions worth of gold was purchased abroad or taken in exchange for foreign exchange holdings; RM 1.3 millions' worth of bullion and foreign gold coin were received in the course of transactions in Germany. RM 44.0 millions were resold abroad for the purpose of regulation of the exchange, and RM 14.9 millions were released in Germany for industrial purposes etc. Further, RM 2.1 million gold coins of the Reich of earlier minting reached the coffers of the Bank through the ordinary channels of payment transactions. There was thus an increase in the total gold reserve of the Bank of RM 33.3 millions.

Foreign exchange (Devisen) employed as note cover

The foreign exchange employed according to § 28 of the Bank Law to augment the gold cover for the bank notes in circulation amounted

on December 31, 1926, to RM 519,168,000
on December 31, 1927, to RM 281,986,000

Silver holding

The Reichsbank had the following quantities of silver bars and silver coins which had been withdrawn from circulation:

as at January 1, 1927	RM	675,280.68	1926:
purchased during the year	"	6,368,525.16	(RM 8,539,259.62)
Total	RM	7,043,805.84	
sold during the year	RM	6,234,653.64	(RM 11,482,939.18)
so that the reserves held by the Bank on December 31, 1927 amounted to	RM	809,152.20	

Stock of small coins

At the end of the year under report the coffers of the Reichsbank contained RM 42,727,176.67 as against RM 85,990,713.24 at the end of the preceding year; the highest figure was reached on March 23, 1927, with RM 145,061,000, and the lowest at the close of the year.

The reduction in the holding of the Bank is partly due to the increased call for small coins; in addition to this the Finance Administration of the Reich reabsorbed gradually the stocks of aluminium-bronze 50-Reichspfennig pieces for which the public had manifested its distaste. In the second half of the year a beginning was made with the issue of the nickel 50-Reichspfennig pieces provided to replace those withdrawn.

The number of small coins in circulation at the end of the year (exclusive of the Reichsbank holding) amounted to RM 835.3 millions, as against RM 749.6 millions at the end of 1926.

Stock of Rentenbank notes

The holding of Rentenbank notes amounted

as at December 31, 1926, to RM 7,408,115.-
as at December 31, 1927, to RM 23,635,721.-

(including the Rentenbank notes held separately from the cash and shown in the balance sheet under "Miscellaneous assets - Other claims": these notes are no longer available for circulation: they amount to RM 12,024,982.-).

Rentenbank notes to the value of RM 716.2 millions (end of 1926: RM 1,164 millions) were in circulation at the close of the year, exclusive of the notes held at the Reichsbank.

Bills

According to the weekly returns of the Bank (see Annex VI), the bill holdings were as follows:

as at December 31, 1926, RM 1,828,587,000.-
as at December 31, 1927, RM 3,128,656,000.-

The proportion to the total holdings of the bills with two signatures eligible for discount in conformity with § 21 figure 2 of the Bank Law was 12.7 per cent on December 31, 1927, as against 8.5 per cent at the end of the previous year. There was no discounting of Treasury bills of the Reich under § 21 figure 2a of the Bank Law during the year under report.

a) Inland bills and cheques

The following detailed information may be given with regard to the movement of the bill holdings:

Inland bills and cheques purchased during 1927 (not including those taken over by the Reichsbank from the Golddiskontbank):

3,237,506	Town bills and cheques (Platzwechsel und -schecks) for	RM 6,402,602,961.40
(in 1926: 1,821,112)	(in 1926:	" 2,604,914,360.28)
9,830,874	Country bills and cheques for collection (Versand- und Einzugswechsel und -schecks) for	" 13,772,228,107.74
(in 1926: 7,213,422)	(in 1926:	" 7,435,514,176.52)
13,068,380		RM 20,174,831,069.14

The following were withdrawn:

3,003,441	Town bills and cheques for	RM 5,684,368,502.22
(in 1926: 1,876,362)	(in 1926:	" 2,289,473,863.73)
9,201,041	Country bills and cheques for collection for	" 12,869,973,356.45
(in 1926: 7,517,864)	(in 1926:	" 7,731,350,317.09)
12,204,482		RM 18,554,341,858.67

307,088 cheques on Germany were purchased for RM 201,506,785.25 (1926: 294,909 cheques for RM 134,181,439.08).

On December 31, 1927, the holdings of inland bills and cheques amounted to RM 2,969,124,085.08 (end of 1926: RM 1,348,634,874.61).

Of this amount there fell due

(in millions of RM)

January 1-15, 1928	.....	964.7 = 33 per cent
(January 1-15, 1927	.....	527.8 = 39 " ")
January 16-31, 1928	.....	568.7 = 19 per cent
(January 16-31, 1927	.....	260.9 = 19 " ")
February 1928	.....	980.9 = 33 per cent
(February 1927	.....	336.8 = 25 " ")
March 1928	.....	454.8 = 15 per cent
(March 1927	.....	223.1 = 17 " ")

The average amount of town bills purchased was RM 1,983 (1926: RM 1,436), and that of the town cheques RM 727 (1926:

RM 517). The average maturity of the town bills purchased was 49 days (1926: 54 days). The number of town bills of RM 100 and smaller amounts purchased was 226,707 (1926: 141,285).

The average amount of country bills purchased was RM 1,424 (1926: RM 1,054), and that of the country cheques RM 653 (1926: RM 453). The average maturity of the country bills purchased was 33 days (1926: 26 days). The number of country bills of RM 100 and smaller amounts purchased was 1,300,515 (1926: 1,100,914).

b) Bills taken over from the Golddiskontbank

Of the bills taken over from the Golddiskontbank there were holdings on January 1, 1927, amounting to ..... RM 64,262,374.50
and purchases amounted to ..... " 197,328,769.07
(1926: " 276,603,262.71)
RM 261,591,143.57
of which there were negotiated ... " 243,664,721.45
(1926: " 236,746,935.91)
so that the Reichsbank holdings of Golddiskontbank bills at December 31, 1927 amounted in value to .... RM 17,926,422.12

c) Foreign bills and cheques

The holdings of foreign bills and cheques amounted on January 1, 1927, to:

			1926:
21,024	RM	424,585,044.35	
603,601 were bought	"	2,259,636,425.59	(RM 5,592,100,483.32)
624,625	RM	2,684,221,469.94	
607,183 negotiated	"	2,528,940,273.58	(RM 5,711,170,961.17)
so that 17,442 of a value of	RM	155,281,196.36	

remained on December 31, 1927.

d) Total purchases of bills and cheques

The total for all bills and cheques purchased during the year under report is as follows:

Inland bills and cheques	..	RM 20,174,831,069.14
Foreign bills and cheques	..	" 2,259,636,425.59
Golddiskontbank bills	..	" 197,328,769.07
total	..	RM 22,631,796,263.80
(1926:		RM 15,909,132,282.83)

The profits on inland and foreign bills and cheques amounted to RM 130,708,614.96 (1926: RM 98,655,376.51).

e) Bills and cheques not redeemed when due

The following bills and cheques were returned to the seller owing to failure to redeem, or were settled by intervention: 354,371 (1926: 505,960) for RM 114,096,265 (1926: RM 194,999,960). These bills and cheques represent the following percentages of the total number presented for collection:

of the number	of the value
2.89 per cent	0.61 per cent
(1926: 5.38 " ")	(1926: 1.87 " ")

The documents returned to the sellers or regulated by intervention included the following cheques: 822 (1926: 1,203) cheques for RM 399,119 (1926: RM 433,285).

Collection of Customers' orders

Customers' orders amounting to 239,839 in number (1926: 243,146) and for a value of RM 1,901,299,372.69 (1926: RM 2,191,072,148.61) on banking and other places were collected.

The average amount of the orders worked out at RM 7,927 (1926: RM 9,011).

Collection of Reparation Vouchers and Drafts

The collection, for which the Reichsbank has assumed responsibility, of the Reparation vouchers and drafts issued for deliveries in kind which the Agent General for Reparation Payments is due to redeem, and the remission of the proceeds to the persons handing in the vouchers, were effected as follows:

1927:	333	Reparation vouchers for RM	98,222,960.20
	13,635	Reparation drafts for	637.954,578.59
	13,968	Reparation payments for RM	736,177,538.79

as against

1926:	753	Reparation vouchers for RM	233,586,337.61
	12,258	Reparation drafts for	355,885,248.44
	13,011	Reparation payments for RM	589,471,586.05

The collection and remission of the amounts is effected free of charge.

The rise in the total amount is due to the increase of the Reparation annuity.

The amounts directly assigned by the Agent General for Reparation Payments for certain obligations under the Dawes Plan (for example the service of the External Loan, payments in respect of the Recovery Acts, cash transfers etc.) are not included in the above amounts.

Loans against collateral

The following loans against collateral (Lombards) were recorded:

on January 1, 1927 ...	RM	84,078,300.-		1926:
87,164 new loans		5,926,278,600.-	(RM	4,672,660,200.-)
	RM	6,010,356,900.-		
72,978 loans repaid ..		5,932,037,200.-	("	4,598,868,072.-)
leaving on December 31, 1927	RM	78,319,700.-		

The number of collateral certificates (Pfandscheine) was

on January 1, 1927 ...	1,790	certificates	1926
to which were added ..	1,465	"	(1,456)
making	3,255	certificates	
of which there were paid off	724	certificates	(697)
leaving as at December 31, 1927	2,531	certificates	

Profits on loan business amounted to RM 3,280,842.49 (1926: RM 2,021,829.39).

The fluctuation in the demands for loans against collateral may be seen from Annex VI.

The collateral in the case of the loans outstanding at the end of the year was as follows:

				1926:
Gold and Silver	RM	600.-	(RM	1,200.-)
Securities	"	36,259,600.-	("	41,489,900.-)
Bills	"	34,815,000.-	("	41,142,000.-)
Goods	"	2,819,300.-	("	1,136,900.-)
Long-term bonds of the Reich	"	4,425,200.-	("	308,300.-)
Treasury bills of the Reich	"	-	(	-)

Reichsbank rate

The Bank rates of interest in the year under report were

	for Discounts	for Loans
from January 1 to January 10	6 %	7 %
from January 11 to June 9	5 %	7 %
from June 10 to October 3	6 %	7 %
from October 4 to December 31	7 %	8 %

making an average for the whole year of 5.828 per cent for discounts and 7.242 per cent for loans, as against 6.743 and 7.896 in the preceding year.

Doubtful claims

The balance-sheet shows RM 9,993,764.81 of claims fallen due but unpaid at the date of December 31, 1926. The corresponding figure for the end of 1926 was RM 14,904,311.10.

Securities owned by the Reichsbank

The Bank's own holdings of securities amounted on December 31, 1927, to RM 94,564,598.56 (as compared with RM 91,011,004.24 at the end of 1926).

Profits on the same were RM 1,132,653.54.

Transactions in connection with capital issues

In order to raise the credits made available to the Finance Minister of the Reich by the Budget legislation of 1926, the Reich in February of the year under report issued a 5 per cent loan to the amount of RM 500,000,000. Of this total a consortium under the leadership of the Reichsbank took up RM 300,000,000, which was placed by public subscription. The profit derived by the Reichsbank from participation in the consortium was RM 118,722.79.

In consideration of the changed conditions on the German capital market since the issue of the loan, the Reich determined in August to make the interest terms of the loan more attractive. As from August 1, 1927, the rate of interest was raised to 6 per cent until July 31, 1934. The Reichsbank collaborated in the stamping of the certificates and coupons which was rendered necessary by this alteration, its offices

taking over the bonds from the holders and returning them after stamping by the Reich offices entrusted with the task.

At the beginning of February 1927 a consortium under the leadership of the Reichsbank carried through the conversion into 7 per cent bonds of the 10 per cent gold Pfandbriefe issued by the Landschaften of the provinces of East Prussia, Saxony and Schleswig-Holstein. The head office of the Reichsbank and the branch offices acted in this connection as conversion offices.

During the year under report the Reichsbank continued to deal with the liquidation of Reich loans in the possession of "old" holders. The issue of bonds of the loan liquidation debt with drawing certificates is not yet complete. The Reichsbank was actively engaged during the past year in the work of converting mark loans of the Reich in the possession of "new" holders into loan liquidation debt of the Reich.

Credit balances with correspondents

Credit balances with correspondents of the Bank were 1926:

on January 1, 1927	RM 536,994,189.22	
remittances	6,072,959,762.08	(RM 11,347,761,214.47)
	RM 6,609,953,951.30	
of which there were collected	6,294,131,045.15	(" 11,288,114,599.37)
leaving on December 31, 1927	RM 315,822,906.15	

The turnover in business done with correspondents continued to represent the greater part of the turnover of the Bank in foreign exchange, as shown in Annex I.

Holdings of foreign bank notes

At the close of the year the Reichsbank held foreign bank notes to the value of RM 916,757.62, as compared with RM 1,504,047.93 at the beginning of the year.

The turnover of foreign notes (see Annex I) totals RM 422 millions (as compared with RM 414.6 millions in 1926). It was mostly in respect of francs received and issued in the branch offices in the Saar.

Debt of the Reich to the Reichsbank

The claim of the Reichsbank on the Reich under the agreement between the two (see Report for 1924 page 12), as reduced by the repayment of the annual amount to sinking fund, is shown in the balance-sheet as RM 127,252,970.86 (1926: RM 136,422,480.86).

Postponed claims on the Rentenbank

As the payment of the sums owing to the Reichsbank under § 11,4 of the Rentenbank Liquidation Law (Reichsgesetzblatt 1924 II page 252) is postponed under an agreement concluded between the Reich, the Rentenbank and the Reichsbank until such time as the transfers to the sinking fund are completed, the amount accumulated by the end of the year under report, viz. RM 70,082,498.29 (1926: RM 61,193,664.98) is shown in the balance-sheet as "Postponed Claim on the Rentenbank".

In conformity with an earlier agreement the Reichsbank in January 1928 withdrew from circulation Rentenbank notes to this amount; these notes were thereupon placed under earmark, and the circulation of Rentenbank notes was correspondingly reduced.

Reichsbank notes in circulation

The circulation of Reichsbank notes according to the weekly returns was

on December 31, 1926 .... RM 3,735,526,000.-
on December 31, 1927 .... " 4,564,047,000.-

The highest figure reached was that at the end of the year, the lowest figure being RM 2,926,397,000 on February 23, 1927; RM 3,593,098,000 were on an average in circulation during the year under report. The movements of the circulation from week to week are shown in Annex VI.

An analysis of the note circulation shows the following position:

In circulation on:

(in millions of RM)

	RM 1000	RM 100	RM 50	RM 20	RM 10	Total circulation
December 31, 1926:	144.5	714.4	1063.0	1006.4	807.2	3735.5
December 31, 1927:	174.1	922.8	1387.9	1194.4	884.8	4564.0

The following damaged notes were withdrawn from circulation and destroyed during the year under report: 38.9 million notes to the value of RM 631.8 millions (1926: 28.4 million notes to the value of RM 449.5 millions).

The note cover prescribed in § 28 of the Bank Law was on December 31,1926: 49.0% (gold) 62.9% (gold and foreign exchange) on December 31,1927: 40.9% (gold) 47.0% (gold and foreign exchange).

The lowest point reached by the percentages of the note cover was on December 31, 1927, with 40.9 per cent and 47.0 per cent respectively; the highest point was reached on

February 23, 1927, with 62.7 per cent for gold, and on January 22, 1927, with 78.5 per cent for gold and foreign exchange.

The growth in the circulation of all forms of currency in Germany during the year under report is shown by the following table.

There were in circulation:

(Amounts in millions of RM)

At the end of the month	Reichsbank notes	Notes of private banks	Rentenbank notes	Small coin	Total
1926 December	3,735.5	180.6	1,164.0	749.6	5,829.7
1927 January	3,409.6	172.3	1,108.1	721.1	5,411.1
February	3,465.2	177.2	1,114.0	720.9	5,477.3
March	3,588.7	181.7	1,095.5	723.4	5,589.3
April	3,676.2	182.9	1,060.2	717.8	5,637.1
May	3,719.2	185.9	1,033.2	722.8	5,661.1
June	3,815.2	188.8	1,017.1	725.6	5,746.7
July	3,928.2	185.4	1,008.2	733.5	5,855.3
August	3,934.7	184.7	1,007.2	740.2	5,866.8
September	4,182.4	188.3	988.9	762.7	6,122.3
October	4,230.6	188.1	896.3	788.7	6,103.7
November	4,181.3	187.0	780.7	804.8	5,953.8
December	4,564.0	188.7	716.2	835.3	6,304.2

Deposits (Fremde Gelder)

a) Total Giro business

For the growth in the Reichsbank's holding of deposits see the item "Other day-to-day liabilities" indicated in the Table of Weekly Returns forming Annex VI.

The Giro turnover (incomings and outgoings), details of which are given below, was distributed as follows over the individual calendar months of the year under report:

	Giro turnover (in millions of RM)		Working day average of the Giro turnover expressed in percentages of the annual average which is taken as 100	
	1927	1926	1927	1926
January	49,887	41,458	96.8	93.7
February	52,529	38,574	106.2	90.8
March	52,696	42,699	94.7	89.4
April	51,048	43,387	107.6	106.6
May	50,627	41,049	98.2	96.7
June	48,727	43,491	94.5	94.6
July	54,978	46,855	102.6	98.1
August	51,457	46,683	92.5	101.5
September	50,079	44,142	93.4	96.0
October	56,039	48,845	104.5	106.2
November	53,931	49,016	104.6	110.9
December	56,795	53,225	105.9	115.7
Average	52,399	44,952	100.0	100.0

The Giro credit balances were on January 1, 1927 RM 484,248,092.32

The incomings on Giro account during the year were as follows:

Cash payments	RM 23,633,287,146.91	
Customer accounts	88,475,875,291.42	
Local transfers	133,480,947,197.35	
Transfers from branch offices	68,872,095,170.89	314,462,204,806.57
		(1926: RM 269,666,067,429.56)
Total ...		RM 314,946,452,898.89

The outgoings were

Cash payments	RM 26,233,440,196.17	
Customer accounts	87,785,034,033.31	
Local transfers	133,480,947,197.35	
Transfers to branch offices	66,831,527,511.60	RM.314,330,948,938.43
		(1926: RM 269,757,757,003.27)

Leaving RM 615,503,960.46

as the balance outstanding on December 31, 1927.

The following were the percentages of the total

		1926:
Cash incomings and outgoings	7.9 per cent	(8.0 per cent)
Customer accounts	28.0 " "	(28.8 " ")
Local transfers	42.5 " "	(41.4 " ")
Transfers from and to branch offices	21.6 " "	(21.8 " ")
	100.0 " "	(100.0 " ")

Thus 92.1 per cent of the total Giro business of the year 1927 was effected without cash changing hands (1926: 92 per cent).

In the Giro business of the year 1927 the following were the numbers of

	Cr.	Dr.	Cr.	Dr.
Cash payments	1,794,049	1,871,605	(1,818,356)	(1,942,061)
Customer accounts	3,374,342	3,546,531	(3,484,330)	(3,511,709)
Local transfers	7,379,826	5,271,983	(7,070,358)	(5,179,054)
Transfers from and to branch offices	6,702,136	6,361,588	(6,150,463)	(5,806,215)
Total	19,250,353	17,051,707	(18,523,507)	(16,439,039)

The average amount of each of the following items was as follows:

		1926:
Cash incomings	RM 13,173	(RM 11,260)
Cash outgoings	" 14,017	(" 11,673)
Credits to account	" 26,220	(" 22,274)
Debits to account	" 24,752	(" 22,167)
Local transfer credits	" 18,087	(" 15,788)
Distance transfer credits	" 10,276	(" 9,748)

The cover which has to be held under § 35 of the Bank Law for day-to-day liabilities amounted on December 31, 1926 to 90.2 per cent, on December 31, 1927 to 105.6 per cent, and on an average for the year 1927 to 115.2 per cent.

b) Telegraphic Giro business

Telegraphic Giro transfers in Germany were effected as follows in the year under review:

	Number	RM
Head Office	20,342	4,080,498,988.33
Branch Offices	42,087	3,628,332 332.93
Total ..	62,429	7,708 831,321.26

This is equivalent to 11.5 per cent of the distance transfers effected on behalf of customers.

c) Transactions for account of the Reich and Federal States

Receipts and payments in Giro business for the account of the Reich and Federal States amounted to

		1926:
for the Reich	RM 125,982,767,518.98	(RM 121,194,992,318.03)
for the Federal States	" 49,483,123,002.81	(" 44,148,561,542.34)
Total	RM 175,465,890,521.79	(RM 165,343,553,860.37)

The credit balance for these accounts amounted on December 31, 1927, to RM 229,135,858.09 (at the end of 1926 to RM 198,047,056.84).

d) Giro Transfers

For 1927 the following amounts were received from non-holders of accounts on behalf of Giro customers in other places

		1926:
in cash . . .	RM 2,040,378,117.29	(RM 2,380,084,080.80)
plus transfers between Giro customers at different bank centres	" 66,831,527,511.60	(" 57,616,474,467.07)
Total of transfers between various bank centres	RM 68,871,905,628.89	(RM 59,996,558,547.87)
plus balance as at Jan.1,1927	" 163,798,817.35	
Total ..	RM 69,035,704,446.24	
Of this sum there was credited in 1927	" 68,872,095,170.89	(" 59,953,811,295.86)
leaving a balance of	RM 163,609,275.35	

which is included in item 8 of the Bank's liabilities (see Annex III, Balance Sheet).

e) Number of Giro accounts

The number of Giro account holders at the end of the year was

		1926
at the Reichsbank Head Office	2,691	(2,717)
at the Reichsbank branches	41,242	(41,758)
together	43,933	(44,475)

f) Orders to pay on other branches

Orders to pay addressed to other banks were transmitted to the number of

1,161 orders totalling RM 15,504,148.65
(1926: RM 10,907,038.57)

Clearing transactions

The total sums cleared at the 65 Clearing Offices (Abrechnungsstellen) in 1927 amounted to RM 97,744,177,500.00 (in 1926: 60 Clearing Offices with RM 56,876,907,300).

The number of drafts etc. cleared was 39,830,892 (1926: 31,870,452) and the average amount of each was RM 2,454 (1926: RM 1,785). The exceptional increase in the turnover by comparison with 1926 is due to the fact that clearances under the Berlin express clearing system (Eilavisverkehr), which were previously effected independently of the Abrechnungsstellen, have been included in the turnover of the Berlin Abrechnungsstelle since March 21, 1927.

The number of institutions acting in conjunction with the Clearing Offices (including Reichsbank branches) was 797 at the end of the year (1926: 749).

The cheques presented at the Country Cheque Clearing Office (Scheckaustauschstelle) in Berlin in 1927 amounted to RM 65,231,700 (1926: RM 86,702,000). The number cleared was 280,199 (1926: 405,183) and the average amount of each was RM 233 (1926: RM 214). The number of institutions associated in the Country Cheque Clearing Office at the end of the year was 21 (1926: 20).

During the year under report 5,586,309 town bills and

cheques (1926: 3,389,962) were cleared by the Reichsbank's branches (in places where there was no Clearing Office, or with firms not associated in a Clearing Office) for a value of RM 2,679,706,000 (1926: RM 1,235,413,000).

Rentenmark Sinking Fund

The Rentenmark Sinking Fund established at the Reichsbank in virtue of § 6 of the Rentenmark Liquidation Law of August 30, 1924, received the annual transfer from the Reich during the year under report of RM 60 millions in satisfaction of the obligations devolving on the Reich under § 7b of the Law in question. In addition, the share of the Reich under § 7c in the profits of the Reichsbank for the year 1926 to a total of RM 4.2 millions (1925: RM 12.2 millions) was also paid into the Fund. The interest payments to the Rentenbank by the owners of the land subjected to the agricultural mortgage brought in RM 99.3 millions (1926: RM 96.4 millions) in the year under report, of which RM 25 millions were set aside in accordance with § 9 of the Law in question and placed at the disposal of the Rentenbank-Kreditanstalt (Rentenbank Credit Institution), with the result that the Rentenmark Sinking Fund received RM 74.3 millions (1926: RM 71.4 millions). The Fund further received RM 293.4 millions as in the previous year out of the proceeds of the Rentenbank credits specified in § 11 of the Liquidation Law; these credits have therefore been completely liquidated. These sums were devoted in the prescribed manner to the destruction of Rentenbank notes. In all RM 431.9 millions (1926: RM 437.0 millions) of such notes were redeemed during the year under report.

Deposited Securities

Of deposits of securities with the Bank

there were on January 1, 1927	60,387	deposits	1926:
there were added in the course of 1927	44,614	"	(13,304)
	105,001	"	
there were withdrawn	37,544	"	(121,894)
leaving on December 31, 1927	67,457	deposits.	

The number of the different forms of securities on December 31,1927 was 3,639 (1926: 3,882). Interest and profits on the same to the amount of RM 32,983,283.01 (1926: RM 15,106,487.21) were collected in the course of the year.

Bank charges for deposit of these securities and for the sale and purchase of the same in 1927 amounted to RM 1,122,608.22 (1926: RM 459,754.42).

Trustee Deposits of Securities

Of Trustee securities deposited with the Bank, that is to say securities belonging to the estate of a ward, and subject to the control of the Court of Chancery (Vormundschaftsgericht) in accordance with § 1814 of the Civil Code (Bürgerliches Gesetzbuch) there were at the various branches of the Reichsbank

on January 1, 1927	1,226	deposits	1926:
there were added in the course of 1927	59	"	(42)
	1,285	"	
there were withdrawn ..	548	"	(724)
leaving on December 31, 1927	737	deposits.	

The decrease in the number of the Trustee deposits of securities is due chiefly to the closing of accounts as a result of the conversion of loans into Loan Liquidation Debt.

Securities for safe keeping

Of securities kept in safes with the Bank

		1926:
there were on January 1, 1927	953 deposits	
there were added	417 "	(438 deposits)
	1,370 deposits	
there were withdrawn	409 "	(678 deposits)
leaving	961 deposits	

Premises

The value of the premises of the Bank is shown in the balance sheet unchanged as RM 30,000,000.

Rents received for premises and dwellings leased totalled RM 2,191,546.23 (1926: RM 1,959,831.52).

Costs of Management

		1926:
The total costs of management were	RM 75,087,213.98	(RM 83,310,531.83)
of which there were recovered (see figure 8a of the calculation of profits in the Profit and Loss Account, Annex II).....	" 960,211.03	(" 570,448.61)
making the effective total for 1927	RM 74,127,002.95	(RM 82,740,083.22)

It has been found possible to reduce the costs of management every year since 1924. In 1927 they were RM 11.6 millions less than in 1924, when they totalled RM 86.7 millions.

Balance Sheet

The balance sheet has been drawn up in accordance with the provisions of § 36 of the Bank Law and § 9 of the Statutes of the Bank (see Annex III).

Legal Reserve Fund

The legal reserve on December 31, 1926 was RM 38,510,155.13

to which 20 per cent of the net profit for 1927 has to be added in accordance with § 37 of the Bank Law " 5,211,691.84

leaving on December 31,1927 RM 43,721,846.97

Other Reserve Funds

The "del credere" fund will be increased by RM 15 millions to RM 65 millions.

The reserve for printing new banknotes, which was shown to amount to RM 15 millions in the 1926 balance sheet, was drawn on to the extent of RM 1.6 millions. As fresh issues of notes are contemplated, further sums will have to be added to this reserve. The fund will be increased by the transfer of RM 11.6 millions to RM 25 millions.

Of the available Building Reserve of RM 15 millions, RM 11.3 millions were utilised. By setting aside RM 21.3 millions the fund will be increased to RM 25 millions in order to finance further building schemes.

To the Special Reserve Fund for future payments of dividends will be added the balance of the profits amounting to RM 0.6 million, thus increasing the fund from RM 44.8 millions to RM 45.4 millions.

Total Profits

The gross profits for the year 1927 (as shown in Annex II) total RM 149 millions, as compared with RM 112.9 millions in the previous year. The larger profits are due principally to the greater demand for Reichsbank credit, which was apparent, notably in the case of the purchase of bills but

also in the case of loan transactions (Lombards). The increased activity is also evident from the increase of receipts from bank charges. The details of the principal items making up the gross profits are the proceeds from bill and loan transactions amounting to RM 134 millions (1926: RM 100.7 millions) and bank charges amounting to RM 4.2 millions (1926: RM 3 millions).

The expenditure totals RM 123 millions as compared with RM 90.1 millions in 1926. Of this amount RM 75.1 millions (1926: RM 83.3 millions) were for costs of management and RM 47.9 millions in all (1926: RM 6.8 millions) for reserves ("del credere" fund, reserve for the printing of new notes and reserve for building purposes).

RM 26 millions (1926: RM 22.8 millions) thus remain as net profit. It is proposed to distribute this amount as follows in accordance with § 37 of the Bank Law: 20 per cent, i.e. RM 5.2 millions (1926: RM 4.6 millions) to the statutory reserve, and RM 5.5 millions (1926: RM 4.2 millions) to the Reich, the latter sum being used in accordance with § 7 of the Rentenbank Liquidation Law for the redemption of Rentenbank notes in circulation. There are thus left RM 15.3 millions (1926: RM 14 millions) for the shareholders. This allows of the distribution of a dividend of 12 per cent (1926: 10 per cent) on the original paid up capital of RM 122,788,100 while the balance of RM 0.6 millions (1926: RM 1.7 millions) is assigned to the special reserve for which provision is made in

§ 37 of the Bank Law with a view to future dividends.

Original capital

The original paid up capital of the Reichsbank remains unchanged at RM 122,788,100.

Reichsbank shareholders

The shareholders of the Bank were entered in the books of the Bank as follows:

on December 31, 1926

9,850 Germans	with	1,009,174 shares of	RM 100
1,319 foreigners	"	218,707 shares of	" 100
11,169 shareholders	"	1,227,881 shares of	" 100

on December 31, 1927

9,789 Germans	with	1,005,205 shares of	RM 100
1,300 foreigners	"	222,676 shares of	" 100
11,089 shareholders	"	1,227,881 shares of	" 100

Staff

The number of officials, employees and workmen was reduced from 10,236 persons at the end of 1926 to 9,938 at the close of the year under report. Of this total, the regular and temporary staff of officials at the end of 1927 was 8,495, while the employees numbered 811 and the workers (male and female) 632. The head office in Berlin employed 2,667 officials, 302 employees and 503 workers out of the above total.

Branches

The number of branches at the end of 1927 was as follows:

		1926:
Chief offices	17	(17)
Offices	84	(84)
Sub-offices with cash department	351	(350)
Sub-offices without cash department	1	(1)
Goods depositories	1	(1)
together	454	(453)

On January 3, 1927, a sub-office with cash department was opened at Neidenburg.

The following Annexes are appended:

* Table showing transactions of the different Reichsbank branches (Annex I),

Profit and Loss Account for the year 1927 (Annex II),

Balance sheet of the Reichsbank for December 31, 1927 (Annex III),

* List of all offices of the Reichsbank (Annex IV),

* List of the members of the Reichsbankdirektorium, the General Council, the Central Committee, the District Committees and the Assessors (Beigeordneten) (Annex V),

* Table of the weekly returns published during the year 1927 (Annex VI),

* Statement showing the transactions of the Reichsbank since its foundation (Annex VII).

(* not here translated)

We desire to take this opportunity of honouring the memory of the former Vice-President of the Reichsbank, Wirklicher Geheimer Rat Dr. jur. Otto von Glasenapp, who passed away on March 3, 1928. Dr. von Glasenapp first became a member of the Reichsbankdirektorium in 1896 and was Vice-President from 1907 to 1924. In these eventful years his services were of the greatest value to the Reichsbank, and even after his resignation from the post of Vice-President his great gifts and wide experience were to the last always loyally at the service of the Reichsbank.

REICHSBANKDIREKTORIUM

Dr. Hjalmar Schacht Dreyse
v. Grimm Budczies Bernhard Seiffert
Vocke Friedrich Fuchs Schneider

Transl. 5508.
QW, EFD.

PROFIT AND LOSS ACCOUNT

INCOME			R.M.
1. Profits on bills and cheques payable at home and abroad			130,708,614.96
2. Profits on loan transactions (Lombards).....			3,280,842.49
3. Commissions			4,193,744.82
4. Interest on credit balances.....			5,779,989.73
5. Profits on securities			1,132,653.54
6. Returns from real estate of the Bank			2,191,546.23
7. Profits resulting from purchase and sale of precious metals.....			490,431.01
8. Miscellaneous			
a) Expenses recovered	R.M.	960.211.03	
b) Various	"	320,869.49	1,281,080.52
			149,058,903.30

EXPENDITURE			
1. Cost of management.....			75,087,213.98
2. Carried to reserve:			
a)"Del credere" fund	R.M.	15,000,000.-	
b) Reserve for printing of new notes	"	11,626,525.70	
c) Reserve for building purposes..	"	21,286,704.38	47,913,230.08
			123,000,444.06

			R.M.
Accordingly income amounted to			149,058,903.30
Accordingly expenditure amounted to.....			123,000,444.06
the net profit for the year 1927 therefore was			26,058,459.24
In accordance with § 37 of the Bank Law it is proposed to distribute this profit as follows :			
20 per cent to the Legal Reserve Fund.....20 % =			5,211,691.84
leaving..			20,846,767.40
Out of this sum the shareholders are first of all entitled to 8 per cent on R.M. 122,788,100 =		R.M. 9,823,048.-	
Of the remainder amounting to R.M.11,023,719.40			
half goes to the Reich..R.M.5,511,859.70			
half goes to the shareholders		" 5,511,859.70	
The Reich therefore receives	R.M.5,511,859.70		
which sum under § 7c of the Law of August 30, 1924 for the Liquidation of Rentenbank notes goes to the Rentenmark Sinking Fund			
The shareholders are entitled to		R.M.15,334,907.70	20,846,767.40
Of the sum due to the shareholders amounting to		R.M.15,334,907.70	
a dividend of 12 %(on RM.122,788,100.-) will be distributed.....		" 14,734,572.-	
The remaining sum of.....		R.M. 600,335.70	
will be carried to the Special Reserve Fund for future payments of dividends.			

BALANCE SHEET OF THE REICHSBANK

A S S E T S

	R.M.	R.M.
1. Reichsbank shares not yet issued.....		177,211,900.--
2. Gold, not pledged (gold bars, inland and foreign coins)		
a) in the cash offices of the Bank...	1,783,205,788.59	
b) with foreign Central Banks of Issue	81,437,319.52	1,864,643,108.11
3. Cash balances :		
a) small coins.....	42,727,176.67	
b) Rentenbank notes.....	11,610,739.--	
c) Reichsbank notes.....	1,149,297,450.--	
d) Notes of German Private Banks of Issue	5,249,900.--	1,208,885,265.67
4. Credit balances in foreign currencies (of which the equivalent of R.M. 281,070,000 has been assigned as cover for the notes in circulation)		315,822,906.15
5. Foreign notes		916,757.62
6. Foreign bills and cheques.....		155,281,196.36
7. Inland bills and cheques ..... Inland bills negotiated R.M. --		2,987,050,507.20
8. Silver.....		809,152.20
9. Loans against collateral (Lombards) viz:		
a) Loans against gold and silver (§ 21,3a of the Bank Law).....	600.--	
b) Loans against securities (§ 21, 3b,c,d of the Bank Law).....	36,259,600.--	
c) Loans against bills (§ 21, 3e of the Bank Law).....	34,815,000.--	
d) Loans against goods (§21, 3f of the Bank Law)	2,819,300.--	
e) Loans against long term obligations of the Reich (§ 21, 3 paragraph 2 of the Bank Law)....	4,425,200.--	
f) Loans against Treasury Bills of the Reich (§ 21,3g of the Bank Law).....	-	78,319,700.--

FOR DECEMBER 31, 1927.

L I A B I L I T I E S

		R.M.	R.M.
1. Original capital			
a) shares issued		122,788,100.--	
b) shares not yet issued		177,211,900.--	300,000,000.--
2. Legal Reserve Fund (including transfer under item 10 below)			43,721,846.97
3. Reserve for pensions and half-pay liabilities			80,000,000.--
4. "Del credere" fund (including transfer of R.M.15,000,000 from gross profits of the year 1927)			65,000,000.--
5. Reserve			
a) for printing of new notes Balance on January 1, 1927	R.M. 15,000,000.--		
of this sum there have been expended in the year 1927	R.M.1,626,525.70		
	R.M. 13,373,474.30		
Added to reserve	" 11,626,525.70	25,000,000.--	
b) for building purposes Balance on January 1,1927	R.M. 15,000,000.--		
of this sum there have been expended in the year 1927	" 11,286,704.38		
	R.M. 3,713,295.62		
Added to reserve	" 21,286,704.38	25,000,000.--	50,000,000.--
6. Special reserve fund for future payments of dividends			44,882,900.06
7. Total bank note issue			5,713,733,700.--
8. Credit balances of Giro and current accounts			779,113,235.81

BALANCE SHEET OF THE

A S S E T S

	R.M.	R.M.
10. Securities in the possession of the Reichsbank.....		94,564,598.56
11. Doubtful claims.....		9,993,764.81
12. Land and buildings.....		30,000,000.--
13. Claims resulting from the settlement with the Reich.....		127,252,970.86
14. Miscellaneous		
a) Bank notes no longer fit for circulation.....	389,390.--	
b) Other claims	201,013,460.71	201,402,850.71
including :		
Credit balances with Postal Cheque Offices RM 19,089,784.53		
Postponed claim on the German Rentenbank in virtue of §11, 4 of the Law of August 30, 1924 for the liquidation of Rentenbank notes in circulation ..... " 70,082,498.29		
Investment value of the reserves for the pensions and half-pay fund..... " 80,196,560.29		
		7,252,154,678.25

REICHSBANK FOR DECEMBER 31, 1927

L I A B I L I T I E S

	R.M.	R.M.
9. Miscellaneous		
a) Interest on bills due in 1928.....	18,697,089.82	
b) Dividends due but not yet paid.....	228,438.--	
c) Rentenmark Sinking Fund	- --	
d) Dollar Treasury notes of the Reich, to be redeemed by the Reichsbank..	559,340.--	
e) Liabilities in foreign currencies..	177,807.36	
f) Other book debts.....	135,193,552.83	154,856,228.01
10. Net profits for the year 1927.....	26,058,459.24	
less 20 % assigned to the Legal Reserve Fund.....	5,211,691.84	20,846,767.40
Contingent liabilities resulting from negotiated inland bills : R.M. --		
		7,252,154,678.25

I.I.9.4140. DOC. 286

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 14, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT FEBRUARY 29, 1928.

(cf. DOC. 284).

The following is a translation of the balance sheet of the Rentenbank as at February 29, 1928 as published in the Reichsanzeiger No. 62 of March 13, 1928.

	January 31, 1928	February 29, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2 000 000 000.-	2 000 000 000.-
Rentenbriefe — Rentenmarks		
as on January 31, 1928	1 699 844 000	
as on February 29, 1928		1 699 844 000
Loan to the Reich	791 013 751.76	789 032 569.42
Outstanding claim (Rentenbank-Kreditanstalt)	59 505 702.13	59 326 231.27
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	214 049.33	96 227.49
Real property of the Bank	300 000.-	300 000.-
Miscellaneous assets	3 421 646.13	3 421 646.47

	January 31, 1928	February 29, 1928
LIABILITIES		
Capital	2 000 000 000.-	2 000 000 000.-
Rentenbank notes in circulation :		
in public circulation	650 692 756.-	648 711 574.-
under earmark with the Reichsbank	70 082 498.-	70 082 498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70 082 498.29	70 082 498.29
Rentenbriefe in circulation	156 000.-	156 000.-
Credit balance of the Rentenbank-Kreditanstalt	4 006 046.04	3 587 408.98
Profits to reserve	38 638 682.05	38 638 682.05
Reserves	5 969 075.33	5 967 875.33
Miscellaneous liabilities	501 743.15	501 500.45

Under § 7 a of the Law on the Liquidation of Rentenbank notes, a further Rent. M. 1 981 182.34 in respect of interest received from the owners of mortgaged land was paid to the Reichsbank sinking fund; the loan to the Reich and the Rentenbank notes in circulation were correspondingly reduced.

The total volume of the Rentenbank notes redeemed since the coming into force of the Law on the Liquidation of Rentenbank notes is :

Rentenmarks	214 050 590.47	in virtue of	§ 7a	of the Law
"	195 000 000.-	"	§ 7b	"
"	71 999 338.40	"	§ 7c	"
"	880 334 583.-	"	§ 11	"
Rentenmarks	1 361 384 511.87			

Transl. 5513.
DR.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 22, 1928.

REPORT OF THE DEUTSCHE BANK FOR THE YEAR 1927

(See DOC. 246)

The German economy in the year 1927, having just recovered from a severe crisis, attained a level of production never known before. In addition to the normal absorption of commodities for consumption, stimulated by the earnings of 1½ millions of unemployed workers brought gradually back to employment, there was the need for renewal and improvement of the country's means of production, a process of very extensive dimensions, which is by no means complete as yet, though it is only the shortage of available capital for its financing which has made it necessary to spread it over a long period. The financing of public bodies in particular, who hold in their hands by far the greater part of the production and distribution of gas, water and electricity in Germany, and have developed a lively activity in the construction of public buildings and dwelling houses, is beset with manifold difficulties of a political and economic as well as financial character.

A third factor in the recovery, which is not to be underestimated, is the necessity (which is making itself felt to a continually increasing extent) of accumulating stocks. The movement to lower prices in 1926 at first left the stocks of the

country at the low level to which the crisis had reduced them. The abundance of money at the beginning of 1927, the increase of wages which began on a modest scale in April but now threatens to assume larger dimensions, and the general belief that prices follow wages, have led to large increases of stocks - less in industry than in trade, and in trade principally on the part of the retail dealers. The point is one which merits attention in view of its economic repercussions. It is indisputable that the reduction of stocks was responsible in great part for the favourable figures of the German trade balance in 1926: it is equally certain that the big adverse balance of the year 1927 was decisively influenced by the new accumulations. The adverse trade balance, in so far as it was not due to the increased imports of cereals made necessary by the poor harvest, was an outcome of the increase in the country's reserves of commodities. The fact that this is so deprives the milliards of the adverse balance, and their corollary in the shape of the concomitant short-term foreign borrowing, of much of their terrors; but at the same time it involves great inconveniences in the business position. By June 30 of last year the bill holding of the Reichsbank was already twice the amount of its minimum figure on February 23: and the increase was still more arresting in the case of inland bills alone. But it was in the second half of the year, as the returns of the bill stamp tax show, that the biggest increase in the bill circulation set in, bringing the total at the end of the year up to certainly three milliard marks more than it was at the beginning of the year. The successive increases by the Reichsbank of its discount rate to

6 per cent in June and 7 per cent in October are attributable, as is the increase in the bill circulation as a whole, mainly to the accumulation of stocks of commodities. The unnecessarily large extent of this heaping up of unused commodities absorbs too much money and increases pro tanto the general interest level. Increases and decreases of the country's stocks over short periods and on a heavy scale are inevitably reflected in sharp variations of the country's business curves.

The intense activity in industry and trade provided wide circles with increased earnings and opportunity to save capital. The extent of the formation of capital is apparent from the increase in savings deposits in the savings banks, which show a total addition of RM 1,500 millions, all drawn from fixed wage earners, workers, domestics and handicraftsmen. For the employers, it is true, the formation of capital is very difficult. The position on the world market and the necessity of increasing exports make it impossible to offset the increases in wages by corresponding increases of prices. The rapid changes in the technical equipment of modern industry involve the writing of higher sums to reserve, and the burden of taxation (maintained at a high level by reparation payments and an expensive system of government) presses too hard. Of the excessive burden of taxation we have given a clear picture on page 11 of this report below. But in spite of all obstacles we are getting nearer to a time when we shall be accumulating sufficient capital to enable us to finance our own internal requirements out of our own resources apart from what we require for purposes of rationalisation, for the satisfaction of

which we must remain dependent on foreign countries. The German stock exchanges were able in the course of last year to absorb 4¼ milliard reichsmarks of bonds and shares without inconvenience of any kind other than was inevitably involved in the uneven distribution of the issues throughout the year.

In this process of capital accumulation agricultural circles had generally speaking no share. Two bad harvests have brought the distress of agriculture in all its obvious acuteness to the light: but the roots of the evil lie deeper. A course of borrowing at intolerably high rates of interest without employment of the amounts received on anything like a sufficient scale for productive rationalisation purposes, has reduced the agriculturalists to a state of living from hand to mouth without the possibility of accumulating reserves against the contingency of harvest failures. High wages and excessive taxation complete the picture, and explain the disproportion between the costs of production and the returns. The most that the State can do is temporarily to mitigate the distress. But it is in the interest, not only of the agriculturalists themselves, but equally of the country as a whole that agriculture and stock raising should be placed once more on a permanent and assured basis. It is of the first importance to eliminate the import of agricultural products by increasing the productive capacity of the soil. It is the only means of creating a permanently favourable trade balance capable of expansion. Increased export of industrial products alone can never achieve this result. The improvement of our producing machinery and the extension of economic relations between countries through the

conclusion of commercial treaties do indeed promote exports; but the expansion of exports is limited by the ability and the readiness of the importing countries - which are anxious to develop and protect their own industries - to take our goods.

Great demands were made on the money market by the increased trade turnover. The abundance in the early months of the year led many (including the banks) to exaggerate the potentialities of the position. An upward movement of stock exchange quotations on an alarming scale as a result of excessive speculation led to an accumulation of shares, which would have been better held elsewhere, in the hands of speculators who were only able to take them up with borrowed money, in many cases foreign money; and the banks found themselves compelled to take common action in the direction of reducing credits for stock exchange purposes. The object in view was attained at the cost of regrettable but inevitable sacrifices, and the mass of floating paper in the hands of the speculators was brought back once more into more permanent hands. The subsequent contraction of stock exchange activity in the second half of the year was due less to the transference thus effected than to the lesson learnt by the speculative elements, in whose ranks a feeling of uncertainty as to future economic prospects began to gain ground - a feeling strengthened by the correspondence which passed at the same time between the Agent General and the Government of the Reich.

It is a fact that there can be no question of stable economic development so long as the reparation problem is not solved definitively and in a manner which our circumstances can allow us

to support. Such incidents as the correspondence referred to above, the periodical reports of the Agent General for Reparation Payments, his attitude in regard to foreign borrowing of municipalities, and his intervention in the case of the Prussian loan issue may help matters on, in so far as they create an atmosphere on both sides and hasten action preparatory to the final solution; but in the meantime the German economy will remain exposed to the disturbances which in default of such solution are at any moment possible.

The demand among our clients for loans to facilitate expenditure on capital account, which would require to run for periods longer than those customary in ordinary banking business, and which could not well be covered out of public issues owing to the insignificance of the individual amounts or because the applications were not submitted by joint stock companies, led us to accept a credit of $ 25 millions offered by the form of Dillon, Read & Co. of New York for five years. Out of this credit we have accorded the following loans to our clients:

	up to $	25,000	36 loans	= $	712,500.--
from $ 25,001	to $	50,000	39 "	= $	1,711,000.--
" $ 50,001	" $	100,000	35 "	= $	2,974,272.63
" $ 100,001	" $	150,000	28 "	= $	3,890,000.--
" $ 150,001	" $	200,000	2 "	= $	388,699.--
" $ 200,001	" $	300,000	14 "	= $	3,659,521.15
" $ 300,001	" $	400,000	4 "	= $	1,525,000.--
" $ 400,001	" $	500,000	8 "	= $	3,858,054.84
" $ 500,001	" $	1,000,000	4 "	= $	3,400,000.--
	over $	1,000,000	2 "	= $	2,750,000.--
			172 loans	= $	24,869,047.62

Of this total $ 21,672,489.21 were accorded against cover and $ 3,196,558.41 without cover. About half of the total amount was used for the extension of short-term loans already granted, while with the remainder we satisfied fresh applications for credit. The discrepancy between the value shown in the books and the total for individual credits is due to the fact that we have debited the discount for the whole period for which the loan is to run to the "long-term dollar advances" account. We are proposing to the general meeting that the whole of this discount be written off out of the profits for the year.

In the course of the business year we took over by amalgamation the Lübecker Privatbank, which we continue to run as a branch of our Bank. In the same way we took over the Hildesheimer Bank by amalgamation in February 1928. For many years our relations with these two undertakings have been friendly; we willingly complied therefore with the proposals made by their managing boards which had come to the conclusion that amalgamation with the Deutsche Bank offered more scope for their organisations and connections than the separate exploitation of their own limited resources. We were able without increasing our capital to obtain the shares of the Deutsche Bank required for the conversion of the share capital of the two affiliated banks, in so far as their shares were not already held by us.

Taking this expansion into account, the Deutsche Bank now has branches in 182 places. In addition we run 100 municipal deposit offices, 37 of which are in Berlin. In the course of the year under report we closed down 3 small branches.

Our branches in Germany and abroad have worked to our satisfaction.

The number of accounts is 375,889, as against 338,686 at the end of the previous year.

The turnover has risen from RM 165,282,051,000 to RM 207,792,606,000.

The question of costs of management, in particular the expenditure on personnel, is still causing us grave anxiety. The strength of the personnel, which at the beginning of the business year was 13,856, is still 22 per cent higher than at the end of 1913, with due allowance for the banks affiliated in the meantime. Although as compared with the previous year the total personnel has been reduced, mainly owing to the completion of most of the work of revalorisation, the total outlay for employees appointed under wage agreements has risen again as the result of a further rise in wage agreement rates which came into effect in March 1927. This means that the rationalisation which we have been compelled to introduce, owing to the reduced possibility of profits on banking business, has not as yet satisfactorily eased the position of the account for costs of management. We must accordingly continue to devote special attention to organising the bank on labour saving lines; we shall however endeavour so to arrange that the reduction of staff found to be possible and necessary coincides as far as possible with the superannuations and retirements which would naturally be due; where this is not the case we shall, as we have always done, offer every assistance in our power to officials who are reduced from our staff and not placed on the retired list,

to enable them to find other employment. In dealing with our staff, our policy has always been to employ collaborators who have stood the test of years. The high degree of application of this practice is clear from the fact that in our head office 41 per cent of our commercial and industrial employees are more than 35 years of age; in Berlin as many as 36 per cent are over 40 years of age. It is a matter for regret that the systematic legislation on working hours and its strict execution prevent us from showing as much consideration to the less capable of our employees as for social reasons we should otherwise wish to do.

The efforts which we have made for years for the education of the younger employees have received valuable support in Berlin during the year under report by the foundation of a school of banking by the Chamber of Commerce and Industry. We have however continued our courses of instruction in shorthand and foreign languages as well as lectures on banking subjects.

During the year under report more than 600 officials received free board and lodging during their leave in the convalescent homes at Johannaberg and Sellin. In addition during the winter months delicate children of our officials were again received for periods of a month at the Johannaberg home.

Our sport and other welfare organisations have been continued.

I.I.9.4113 DOC. 288

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 25, 1928.

REPORT

OF THE GOLDDISKONTBANK FOR 1927.

(cf. DOC. 245 bis)

During the year under report there was a further decline in the recourse to discounts in support of the export trade, the tendency already noted in the previous year being thus continued. The total volume of our current export credits, which at the beginning of 1927 was still not far short of £ 4,000,000, had fallen by the end of the year to £ 3,070,000.

The following is the total for bills taken up:

3574 bills for	£	6,594,593. 10. 2.
121 bills for	$	2,014,172.44
1862 bills for	RM.	72,540,548.67

These bill credits were distributed as follows according to their amount:

£ 500 and under	.....	149	bill credits
£ 501 - 1,000	.....	230	" "
£ 1,001 - 5,000	.....	669	" "
£ 5,001 - 10,000	.....	149	" "
£ 10,001 - 50,000	.....	112	" "
£ 50,001 and above	.....	11	" "
		1320	bill credits.

The discount rate of the Bank was 5 per cent at the beginning of the year, and was raised to 6 per cent on June 11.

In virtue of the agreement concluded in the previous year with the Rentenbank-Kreditanstalt for the granting of interim credits to agriculture, additional 7 per cent mortgage bonds of the Kreditanstalt were taken over in the year under report; some of these bonds were sold to third parties, while others were incorporated in the Bank's own holding. The total amount of this operation, which has now been terminated, was RM. 355,716,000. On December 31, 1927, the Bank had in its own possession 7 per cent mortgage bonds for RM. 265,316,000.

During the year which has just elapsed the Bank participated in a consortium which undertook the conversion of the 10 per cent mortgage bonds of the Landschaften of the provinces of Saxony, East Prussia and Schleswig-Holstein into 7 per cent bonds.

In pursuance of the efforts of the Reichsbank to work for the administration of the public funds on a uniform plan, the Golddiskontbank in the course of the year received from various public departments funds - and occasionally very considerable funds - which were for the most part passed on to the private discount market.

The Sola bills issued in the last few months of 1926 and at the beginning of 1927 were redeemed upon maturity; no further bills of the kind were issued.

In July a commitment credit was concluded with an American banking syndicate to the amount of $ 30,000,000. In making this arrangement, the Bank was actuated by the desire to be fully covered even against totally unexpected and sudden calls. No recourse was had to this credit, or indeed to any foreign credits, during the year under report.

The profit of the year under report is £ 720,701. 6. 6. From this the following appropriations are made:

to the Legal Reserve Fund, 5 per cent of £ 720,701. 6. 6. viz:	£ 36,035. 1. 4.
to the Special Reserve Fund	£ 675,000. 0. 0.
Balance carried forward	£ 9,666 5. 2.
	£ 720,701. 6. 6.

BALANCE SHEET OF THE DEUTSCHE GOLDDISKONTBANK

AS AT 31 DECEMBER 1927.

ASSETS	£ s. d.	£ s. d.	LIABILITIES	£ s. d.	£ s. d.
1. Not paid up share capital		3,352,800. - -	1. Share capital		10,000,000. - -
2. Day to day claims		168,160. - 9.	2. Legal Reserve Fund		70,148. 1. 7.
3. Bills and cheques		1,083,270.14.10.	3. "Del credere" Fund		290,000. - -
4. Securities		13,654,896.14. 6.	4. Special Reserve Fund		1,000,000. - -
5. Other assets		104,695.12. 2.	5. Day to day commitments		1,527,800. 5. 4.
6. Sundries		457,753.12. 8.	6. Loan from the Reichsbank		4. 18. -
7. Rediscounted bills £ 2,396,864. 8. 7.			7. Term commitments..		5,212,922. 3. 6.
			8. Net profit		720,701. 6. 6.
			9. Commitments in respect of rediscounted bills £ 2,396,864. 8. 7.		
		18,821,576.14.11.			18,821,576. 14.11.

DOC. 288

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1927

Dr.

	£ s. d.	£ s. d.
Interest		1,492,865.13. 9.
Commission		45,500.12. 7.
Cost of administration ...		22,950.16.11.
Net profit		720,701. 6. 6.
to be distributed as follows:		
a) to Legal Reserve Fund 5 % of £720,701. 6. 6. viz. ..	36,035. 1. 4.	
b) to Special Reserve Fund	675,000. - -	
c) Balance carried forward	9,666. 5. 2.	
	720,701. 6. 6.	
		2,282,018. 9. 9.

Cr.

	£ s. d.	£ s. d.
Balance brought forward from 1926		1,226.17. 7.
Profit on bills, cheques and other claims		1,292,281. 9. 4.
Profit on securities		975,342.12. 4.
Bank charges		12,481.19. 3.
Other profits		685.11. 3.
		2,282,018. 9. 9.

B e r l i n, SW 111 March 13, 1928.

DEUTSCHE GOLDDISKONTBANK

BERNHARD FRIEDRICH FUCHS

Transl. 5578.

DOC. 288

I.I.9.4140 DOC. 289

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 13, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT MARCH 31, 1928.

(cf. DOC. 286)

The following is a translation of the balance sheet of the Rentenbank as at March 31, 1928 as published in the Reichsanzeiger No. 86 of April 12, 1928.

	February 29, 1928	March 31, 1928
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on 29.2.28. Rent.M.1,699,844,000 as on 31.3.28. " " 1,699,844,000		
Loan to the Reich	789,032,569.42	782,566,297.45
Outstanding claim (Rentenbank-Kreditanstalt)	59,326,231.27	59,583,551.39
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	96,227.49	101,098.09
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	3,421,646.47	3,407,358.09

LIABILITIES	February 29, 1928	March 31, 1928
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	648,711,574.-	642,245,302.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.-	156,000.--
Credit balance of the Rentenbank-Kreditanstalt	3,587,408.98	3,834,171.55
Profits to reserve	38,638,682.05	38,638,682.05
Reserves	5,967,875.33	5,980,670.33
Miscellaneous liabilities	501,500.45	501,105.65

Under § 7a of the Law on the liquidation of Rentenbank notes, a further Rent. M. 954,412.27 in respect of interest due from the owners of mortgaged land was paid into the Reichsbank sinking fund; under § 7c of the Law RM. 5,511,859.70, representing the share of the Reich in the profits of the Reichsbank in 1927, was also paid into the sinking fund, the loan to the Reich and the Rentenbank notes in circulation being correspondingly reduced.

The total volume of Rentenbank notes redeemed since the coming into force of the Law on the liquidation of Rentenbank notes is:

Rentenmarks	215,005,002.74	in virtue of § 7a of the Law
	195,000,000.-	" " " § 7b " " "
	77,511,198.10	" " " § 7c " " "
	880,334,583.-	" " " § 11 " " "
Rentenmarks	1,367,850,783.84	

Transl. 5595
CG.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 20, 1928.

REPORT OF THE DEUTSCHE RENTENBANK FOR 1927

(cf. DOC. 245)

The following document is a translation of the report of the Management of the Rentenbank published to-day.

During the year under review the Deutsche Rentenbank continued to fulfil the duties devolving upon it as specified in the report for the previous year, viz. the liquidation of the Rentenbank notes in circulation and the retirement of the Reich and "economic" credits.

		RM.
I. On January 1, 1927, the Reich credit stood at		946,286,586.05
This sum was reduced in the course of the year		
by interest payments of the persons and concerns subjected to the agricultural charge (§ 7 a)	74,262,540.80	
by payments of the Reich (§ 7 b)	60,000,000.--	
by sum received in virtue of § 7 c	1,916,840.11	136 179 380.91
so that the balance on December 31, 1927, amounted to		810,107,205.14

The sum of RM. 1,916,340.11 (§ 7 c) represents the amount by which the share of the Reich in the net profits of the Reichsbank in the years 1924, 1925 and 1926 exceeds the amount fixed under § 11, paragraph 4, for subsequent transfer by the Deutsche Rentenbank to the Reichsbank in part payment of the interest on liquidation credits, which has to be reimbursed to the Rentenbank by the Reich (see report for 1925). The above-mentioned surplus has been used in agreement with the Finance Ministry of the Reich to benefit the amortization of the Reich's debt.

II. The "economic" credits totalled RM. 293,444,861 on January 1, 1927; the whole of this sum, representing the last third of the economic credits taken over by the Reichsbank and the banks of issue in 1924, had to be redeemed by November 30, 1927, (§ 11 of the Law on the liquidation of Rentenbank notes; see report for the years 1923 and 1924).

In the spring of 1927, RM. 25,000,000 derived from bills maturing at that time was paid into the sinking fund with the Reichsbank; the balance of RM. 268,444,861 was paid over to the Reichsbank for the same purpose in the course of November. The obligations of the Rentenbank under § 11 of the Law on the liquidation of Rentenbank notes were thereby fulfilled in their entirety.

This was however rendered possible only by drawing upon all the available reserves of the Rentenbank and of the Rentenbank-Kreditanstalt, which during the year under review has again considerably eased the repayment obligations of agriculture. The Rentenbank-Kreditanstalt not only took over "frozen" bills

to the value of RM. 30,000,000 in lieu of cash from the net profits of the Rentenbank in 1926, but also rendered valuable assistance through its activities in respect of "real" credits. The Golddiskontbank loan was increased by almost RM. 120,000,000 to RM. 360,000,000, while the second American loan ($ 30,000,000 = RM. 126,000,000 nominal) and the third American loan ($ 50,000,000 = RM. 210,000,000 nominal) were concluded in July and October respectively. Although about a third of the proceeds of the last two loans will not be realised until 1928 the loans of the Rentenbank-Kreditanstalt have nevertheless enabled a very large number of agriculturalists during the past year to convert their high interest-bearing bill debts into a funded debt at a much lower rate of interest; that is to say, they have been able to redeem some of their bills and the sums thus realised have become available for the service of the sinking fund.

III. The liquidation of Rentenbank notes in circulation has proceeded as follows:

		RM.
The circulation on December 31, 1926 was		1,171,781,484
In 1927 there were paid into the sinking fund		
under § 7 a:	Interest payments of the persons and concerns subjected to the agricultural charge	74,262,541
under § 7 b:	Payments of the Reich	60,000,000
under § 7 c:	Share of the Reich in profits of the Reichsbank	4,205,375

	RM.	RM.
In addition there was repaid under § 11 in respect of liquidation credits	293,444,861	

Accordingly the total amount of Rentenbank notes withdrawn from circulation and destroyed was 431,912,777 leaving in circulation on December 31, 1927, notes to the value of ..... 739,868,707 The circulation was further reduced (to RM. 739,866,707) by the withdrawal of 2,000 Rentenmarks, which were withdrawn as a counterpart to the sale of GM. 2,000 Rentenbriefe.

The Rentenbank notes in circulation are denominated in 1,000, 500, 100, 50, 10 and 5 Rentenmarks; the larger notes are naturally less often in circulation. Only 70,000,000 new notes of 5 Rentenmarks each were printed (as against the 80,000,000 originally planned for 1927), as it was thought that the coining of silver coins (in particular the five reichsmark pieces) would prove adequate for supplying the circulation. As the supply of new coins has however fallen considerably short of the demand, it was necessary to print a further 10,000,000 of the 5 Rentenmark notes in 1928.

Since the creation of the Rentenbank, 227 categories of forged Rentenbank notes, representing 36,841 notes to the value of 273,161 Rentenmarks, have been discovered. In the case of 67 categories, 114 forgers or persons tendering forged notes were arrested and punished. The penalties inflicted ranged between a fine of RM. 5 or one day's imprisonment to 5 years' penal servitude. 144 categories of forged notes, the authors

of which could not be discovered, represent forgeries of first issues of Rentenbank notes and have been eliminated through withdrawing the 50, 10, 5, 2 and 1 Rentenmark notes. Among the notes at present in circulation there are 16 categories, representing 644 notes to the value of 4,435 Rentenmarks, the origin of which is as yet unknown; this includes a forgery of our 100 Rentenmark note. Rewards to the value of RM. 15,975 were paid to 54 private persons and police authorities in amounts ranging from RM. 20 to RM. 1,000.

IV. During the year under review we continued to adapt the rates of interest on liquidation credits* to the interest rate of the Reichsbank; as previously, a preference rate up to 1 per cent below the Reichsbank rate was granted to our customers according to the number of stages between the credit bank and the actual agricultural recipient, so that on an average some three-quarters of our credits were granted at a rate below the Reichsbank rate. On the other hand we have upheld the practice of fixing maximum interest rates beyond which the agriculturalist may not be charged, and we have endeavoured - in collaboration with our direct customers - to ensure the execution of our measures by means of tests.

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* Note from the Economic Service.- The "liquidation credits" referred to were the bills, largely agricultural, which were due for repayment at the end of November, 1927. They are referred to on pp. 1 and 2 of this translation of the Report as "economic credits".

The following table, which goes back to the stabilisation of the currency in the winter of 1923, shows the development of our interest rates to the end of the period covered by this report:

Reichsbank rate		Our interest rates for our customers		Maximum rate to the agriculturalist not including bill stamp
Since Dec. 29, 1923	10 %	Since. Sept. 20, 1924	9-10 %	13 %
" Feb. 26, 1925	9 %	" March 1, 1925	8-9 %	12 %
" Jan. 12, 1926	8 %	" Jan. 12, 1926	7-8 %	10½ %
" March 27, 1926	7 %	" April 1, 1926	6-7 %	9½ %
" June 7, 1926	6½%	" June 7, 1926	5½-6½ %	8½ %
" July 6, 1926	6 %	" July 6, 1926	5-6 %	8½ %
" Jan. 11, 1927	5 %	" Jan. 11, 1927	4-5 %	7½ %
" June 10, 1927	6 %	" June 15, 1927	5-6 %	8½ %
" Oct. 4, 1927	7 %	" Dec. 1927*	6-7 %	9½ %

CLOSING OBSERVATIONS

The following should be noted in respect of the individual items of the Balance Sheet:

The <u>charge on agriculture</u> and the <u>original capital</u> remain unchanged.

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* In view of the shortly approaching date of repayment (November 30) we postponed the raising of the interest rates until November 30.

The holdings of Rentenbriefe have been reduced by the sale of GM. 2,000; there is no obstacle in the way of a wholesale destruction of Rentenbriefe with a view to adapting the holdings to the largely reduced amount of Rentenmark notes in circulation.

With regard to the item loan to the Reich, the reader is referred to section I of this report.

The outstanding claim on the Rentenbank-Kreditanstalt comprises liquidation bills, the redemption of which by November 30, 1927, was not essential to us, so that we were able to facilitate the liquidation of credits by making our own reserves or those of the Rentenbank-Kreditanstalt available. We transferred these bills as at December 31, 1927, to the cash holdings of the Rentenbank-Kreditanstalt, which will collect the proceeds and pay them over to us according to a programme to be agreed upon.

The marked decline in the item cash, credit balances on Reichsbank giro clearing account and postal cheque account and balances with other banks is explained by the withdrawal of "economic" credits described in the report and in the preceding paragraph.

Securities represent the pensions fund and the investment of profits set aside in a reserve at an earlier date.

Other assets and other liabilities represent items of adjustment.

In the year under review we deducted RM. 266,712.75 for the printing of Rentenmark notes (five mark notes) from the

reserve for the printing of new Rentenbank notes, shown in the balance sheet last year at RM. 5,000,000. Although in 1928 further expenditure on the printing of new notes cannot be avoided, we do not propose to make good the sum deducted from the reserve, as we hope that the balance will suffice for all future requirements in view of the considerably reduced circulation of Rentenbank notes and the more rapid issue of 5-mark pieces.

With regard to the profit and loss account it should be noted that the costs of management have again been divided between the Rentenbank and the Rentenbank-Kreditanstalt, as the staff of these two institutions is identical. The total costs of management (salaries, allowances, cost of meetings, fees of the Trustees, material charges, expenditure on premises, furniture, etc.) amount to RM. 1,497,885.02 with a staff of 161 persons. Allowing for the fact that the amount of business transacted by the Rentenbank constantly declined while the business of the Rentenbank-Kreditanstalt increased to a corresponding extent, the cost of management has been so divided that four-fifths approximately of the whole are borne by the Rentenbank-Kreditanstalt.

We propose this year to transfer none of the net profits totalling RM. 14,099,356.50 to the Rentenbank-Kreditanstalt, but to add the whole to the reserve, which will accordingly increase to RM. 52,738,038.55.

The retention of the net profits appears advisable as the actual effect of the obligations imposed by the Rentenbank

Decree and the Law on the Liquidation of Rentenbank Notes cannot yet be estimated, and moreover in future the surpluses of the Rentenbank will be very small owing to the reduced scope of business on which profits are obtainable.

THE MANAGEMENT OF THE DEUTSCHE RENTENBANK

LIPP KISSLER SZAGUNN

We agree with the foregoing report of the Managing Board and approve the proposal for the distribution of the net profit.

THE MANAGING BOARD AND BOARD OF CONTROL OF THE DEUTSCHE RENTENBANK

LENTZE
President.

Transl. 5607
CG.

BALANCE SHEET OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31, 1927.

ASSETS	RM.	LIABILITIES	RM.
Charge on agriculture for 2,000,000,000 fine gold marks	2,000,000,000.00	Original capital Rentenmarks 2,000,000,000	2,000,000,000.00
Holdings of Rentenbriefe 1,699,842,000 fine gold marks	-	Rentenbank notes in circulation Rentenmarks 739,866,707	739,866,707.00
Loan to the Reich	810,107,205.14	Rentenbriefe in circulation 158,000 fine gold marks	158,000.00
Outstanding claim (Deutsche Rentenbank-Kreditanstalt) ...	59,950,637.34	Interest repayable to the Reichsbank (§ 11, paragraph 4 of the Liquidation Law) ..	70,082,498.29
Cash, credit balances on Reichsbank giro clearing account and postal cheque account and balances with other banks ...	390,065.74	Interest coupons of Rentenbriefe still to be redeemed 3,812.50 fine gold marks ...	3,812.50
Sequrities	3,381,767.25	Balances held by the Deutsche Rentenbank-Kreditanstalt ...	4,931,499.50
Bank premises	300,000.00	Other liabilities	523,917.40
Furniture and fittings	1.00	Written off to reserve for printing new Rentenbank notes and for other unforeseen expenditure	4,733,287.25
Other assets	143,871.60	Pensions fund	1,235,788.08
		Reserve out of profits carried forward from 1924/26	36,638,682.05
		Net profits	14,099,356.50
	2,874,273,548.07		2,874,273,548.07

DOC. 290

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31, 1927.

Dr.	RM.	Cr.	RM.
Costs of management	335,216.34	Interest on credits granted and short-term investments	14,292,058.22
Interest on Rentenbriefe	6,775.00	Interest on securities	149,289.62
Net profits	14,099,356.50		
	14,441,347.84		14,441,347.84

DOC. 290

I.I.9.4142 DOC. 291

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 22, 1928.

MANAGEMENT AND BUSINESS REPORT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (CENTRAL BANK OF AGRICULTURE)

Third business year 1927

(cf. DOC. 250)

The following document is a translation of the report of the Management of the Deutsche Rentenbank-kreditanstalt published today.

I. In the past business year the credit position of agriculture found no relief but was further aggravated as a result of poor returns, a harvest which was unsatisfactory after a rainy summer in spite of good prospects earlier in the year, and the increase in the cost of money in the second half of the year.

Since the end of 1926 therefore the indebtedness of agriculture has increased: in the case of "real" credits contracted since the stabilisation the rise is from 2.048 to 2.855 milliards (up to December 31, 1927), while in the case of "personal" credits accorded by banks it is from 1.964 to 2.35 milliards (up to December 31, 1927). Taken as a whole therefore, and leaving out of account the credits known as floating credits (private debts to artisans, supplying firms etc.) which are estimated on both dates by the Institut für Konjunkturforschung at 1.8 milliards, the

figure for newly-contracted debts has risen from RM 4.012 to 5.205 milliards. The serious feature is the fact that, in spite of the rise in "real" debts, which have absorbed some of the "personal" debts, there is a simultaneous increase in "personal" debts.

On the other hand interest rates in Germany for both "real" and "personal" credits have again shown a tendency to rise. At the beginning of the year the money market was extraordinarily easy, making it possible to lower the discount rate of the Reichsbank to 5 per cent on January 11, which led to a further reduction of the interest rates for "personal" credits. At the same time the powers of absorption of the mortgage bond market were such that business could successfully be done in bonds at 7 per cent, or even 6 per cent. In the course of the year however the market stiffened and the position was reversed. With the raising of the Reichsbank rate to 6 per cent on June 10, and 7 per cent on October 4, "personal" loans again became dearer, a state of affairs which pressed with special severity on the agriculturalist, since the interest rates required of him by the direct lender were frequently augmented by heavy supplements. Further, by the early summer there was a deadlock on the mortgage market so that from June onwards it was impossible even at reduced rates to dispose of any considerable quantity of bonds. In consequence of this the 6 per cent bonds were given up, and by the end of the year 7 per cent had given place to 8 per cent, without any marked revival of "real" credit business throughout the year.

In view of this state of affairs on the credit market, which was further aggravated by the fact that the Rentenbank in execution of its legal liabilities was compelled in November to withdraw approximately 175 millions of "personal" credits from agriculture, the Rentenbank-Kreditanstalt received in the course of the year a larger volume of applications from agriculture for credit facilities of every kind.

II. The effect on our "personal" credit business, for which we are dependent on our own funds, was that at the end of the year under report our total for loans and advances, excluding agricultural improvement credits (Meliorationskredite), was RM 263.3 millions as against RM 209.4 millions for the previous year. This total includes RM 30 millions in bill claims transferred to us in the place of cash by the Rentenbank, out of its net profits for 1926, under § 9 of the Liquidation Law.

The development of our interest rates is shown by the following table:

Reichsbank rate	Rate charged to our customers	Maximum interest rate for the agriculturalist
Up to Jan. 11, 6 %	Up to Jan. 11, 5-6 %	8½ %
From Jan. 11, 5 %	From Jan. 11, 4-5 %	7½ %
" June 10, 6 %	" July 15, 5-6 %	8½ %
" Oct. 4, 7 %	" Nov. 1, 6-7 %	9½ %

Although on general economic grounds we have followed the Reichsbank in the matter of interest rates (though in so doing we have, as in former years, accorded most of our loans at as much as 1 per cent below the Reichsbank rate, and in the interest of the

agriculturalists have insisted on fixed maximum rates for the lender directly granting the loan), we have nevertheless, when it came to calling in the credits, allowed considerable extensions to the agriculturalists already burdened by the repayment of a part of the liquidation credits of the Rentenbank. Further, in the matter of the form of the credits, we have as far as possible allowed for the requirements of agriculture by converting our "personal" credits to the amount of RM 100 millions into instalment credits, thus allowing the agriculturalists to repay the credits in the course of several years (three equal yearly instalments by the end of 1930 in the case of credits granted through cooperatives, and five equal yearly instalments by the end of 1932 in the case of other credits), although earlier repayment is always permissible. This measure, which is chiefly for the benefit of small and medium sized agricultural undertakings and of those agriculturalists who for any reason are unable to obtain "real" credits, is intended to free the agriculturalists from the pressure of their bill liabilities. We accordingly do not require the bill signature of the individual agriculturalist, but are usually satisfied with the collective bills of the credit institutions, which in turn grant the loan to the agriculturalist against a certificate of indebtedness, but may according to circumstances require additional security (land or other mortgages or guarantees). In special cases where collective acceptances of the credit institutions do not afford us sufficient security, we require the transfer of the additional security thus obtained by them. As interest rate for the credits converted into instalment credits we have fixed the

rate of 6 per cent (in the first place until the end of 1928); here also we allow our customers who are several stages removed from the agriculturalist, an interest concession up to 1 per cent. The interest payable by the agriculturalists themselves is uniformly fixed at 7½ per cent. These instalment credits, the distribution of which was still proceeding when the year under report expired, are in effect (although they run for shorter periods) a substitute for second mortgages, which it has hitherto proved impossible in most cases to obtain owing to the shortage of private capital. Being cheaper than a mortgage bond loan in Germany, they have been willingly taken up by agriculture and the credit institutions; a wish for their extension has quite naturally been expressed, although at the present time this is not within our power if we are to preserve the readily realisable character of our assets.

In order to unify our business operations and on technical grounds we have at the suggestion of our customers brought into line with the instalment credits the small peasants' credits for approximately RM 10 millions mentioned in the previous report, which through the cooperatives and savings banks we made available last year for the smallest agriculturalists in individual amounts not exceeding RM 1,000, and on the same terms as the Golddiskont-bank loan. The interest terms and the dates of maturity are the same as from January 1, 1928. In consequence of this arrangement, the total made available by us for instalment credits is at present approximately RM 110 millions (out of RM 263.3 millions in personal credits in all).

In order to facilitate the execution of "real" loan transactions, we repeatedly in the course of the year under report granted interim credits to the extent allowed by our resources to the real credit institutions having business relations with us, in some cases for the conversion of rye loans into gold mark loans; this was done in cases where the ultimate collateral was assured but not for the moment available for technical or legal reasons. In this way it was possible for agriculturalists, who were in urgent need of credit but unable quickly enough to fulfil the necessary conditions for the loan, to obtain possession of the credit at once. These interim credits have in all cases ultimately been covered by collateral.

Our participation in the Finanzierungsgesellschaft für Landkraftmaschinen A.G. (company for the financing of agricultural motor machinery) to the amount of RM 1 million, the reasons for which were given in the previous report, received the approval of our general meeting and also of the Reichsrat during the year under report. The Company has in the meantime developed satisfactorily and has granted credits for approximately RM 21 millions to agriculture for the purchase of motor ploughs and other agricultural machinery. Towards the end of the year it was included among those credit institutions to which "personal" credits may be granted under § 4, paragraph 2, point 2 of the Law.

With due recognition of the importance for agriculture and so for the whole nation of technical improvements and rationalisation in dairy farming, in particular in view of our national balance of payments, we included the granting of long term dairy credits in

our business operations last year. The credits are granted for periods not exceeding 10 years; we receive interest on them at the Reichsbank rate and after two free years they are repayable in eight equal yearly instalments. For these credits, which are intended for the purchase of plant and installations for improving the production of milk, the transport of milk and its further manufacture, for increasing the sale of milk and milk products and for carrying out rationalisation measures in connection with dairy farming, the Government of the Reich has considered a reduction in interest rates, for which object an appropriation of 1½ millions per annum for five years will appear in the budget of the Reich. In the meantime during the past year we granted credits for these purposes to the amount of RM 4.1 millions, and have made available a further sum of approximately RM 16 millions for the current year. As a condition for the granting of the credits a report by the competent Chamber of Agriculture or some other department which is expert in dairy farming is required in support of the general advisability of the proposed expenditure. As in the absence of suitable security for "real" borrowing these dairy credits have to be granted as long-term "personal" credits, and in the case of new installations for as long as 10 years, the possibility of obtaining outside money is very restricted. Accordingly banks which work chiefly with outside funds can hardly be considered in connection with the granting of credits of the kind. In view of this fact and bearing in mind the economic purpose of dairy credits we shall continue these operations so far as our resources and the retention of the realisable character of our assets allow.

III. Our "real" credit business was mainly conditioned by the situation on the domestic mortgage bond market, described at the beginning of this report. In conformity with our principle not to intervene to obtain "real" credits for German agriculture except when the domestic capital market fails or the terms obtainable in Germany are too dear in comparison with rates on the international capital market, we held aloof from the capital issue market in the first few months of the year under report. When however in April-May it was impossible for agriculture to cover its capital requirements owing to the tightness of money in Germany, and the sale of both 6 per cent and 7 per cent mortgage bonds came to a standstill, while in addition both agriculturalists and real credit institutions insisted that we should raise a new external loan, we resumed negotiations at the end of May with our foreign lenders. These led at the beginning of July to the conclusion of a

2nd American loan for $ 30,000,000

with the National City Company of New York. In the lengthy negotiations which preceded the conclusion of the loan we obtained considerable improvement as compared with the terms for our 1st American loan (see our report for 1925). From the technical point of view it should be noted that, as distinct from the 10 year obligation fixed for the 1st American loan, the new loan may be repaid by us - and pari passu by the agriculturalists - in cash at par on any interest rate while in addition redemption may at any time be effected by the handing over of bonds of the loan, which are accepted in payment at par. A further concession is the

arrangement whereby the cover for the loan, which has still to consist of mortgages on agricultural land, may provisionally (that is, for the period of one year) also consist of gold mortgage bonds of real credit institutions or of mortgages in hand from earlier transactions with at least the same interest yield as the new loan. This makes it possible - a possibility which has been largely realised - for the proceeds of the loan to be paid out more speedily. Finally in connection with the mortgages which are ultimately to serve as cover a valuable concession has been made in that they have only to rank first materially, that is to say they are looked upon as first cover mortgages if they come within 40 per cent of the adjusted Wehrbeitrag value, where the real credit institution lending the money is the creditor of any mortgages, land debts or other capital debts previously registered. Concessions have also been made where for definite reasons the Wehrbeitrag value cannot be used, and in connection with the limit up to which loans may be raised on small landed property.

In the contract and in the American prospectus for the New York Stock Exchange the loan was described as

"Deutsche Rentenbank-Kreditanstalt Farm Loan
Secured 6% Gold Sinking Fund Bonds",

and it was successfully issued at 95 in America, Sweden, Holland and Switzerland. The annual interest is 6 per cent with amortisation at the rate of 1 per cent beginning immediately, plus interest saved; the loan runs for 33 years; the proceeds were paid over to us at 92. After deduction of ½ per cent for stamp duties of the Reich (mortgage bond stamp), ½ per cent as non-recurrent compensation for the real credit institutions (or up to 1 per cent in

cases where the mortgages are for RM 5,000 or under, in view of the great labour involved for the real credit institutions), and ½ per cent to cover non-recurrent costs (printing of dollar bonds, introduction on to stock exchanges etc.), the agriculturalist receives a cash payment of 90½ per cent. The annual contribution for administrative costs amounts to ½ per cent for the agriculturalist, of which 0.4 per cent goes to the real credit institutions and 0.1 per cent to the Rentenbank-Kreditanstalt. The costs for personnel and material in excess of 0.1 per cent and any special services of the Rentenbank-Kreditanstalt, such as half-yearly commission for the service of interest and amortisation, are not borne by the agriculturalist.

As in the case of the first American loan, the proceeds of the loan are made available to agriculture through the real credit institutions and savings banks by the granting of mortgage credits. In regard to the utilisation of the loans, it is provided that they must serve exclusively to promote agricultural production, for the economic exploitation of the concerns, and in particular to cover pressing short-term liabilities as far as possible; in no case may they be used for unproductive purposes.

The net interest charge for the agriculturalist on the 90½ per cent which he receives, including ½ per cent as contribution to administrative costs and the amortisation of the discount of 9½ per cent within the period covered by the loan (33 years), works out at 7.46 per cent <u>without</u> the annual sinking fund instalment of 1 per cent.

The loan, for which applications to the amount of approximately RM. 220,000,000 were received from the real credit institutions while the proceeds totalled only RM 126,000,000, was very quickly exhausted; and, as in the meantime conditions on the mortgage bond market not only failed to improve, but became constantly more critical in conjunction with the growing shortage of money, we decided in October to conclude a

3rd American loan for $ 50,000,000

which was again purchased by the National City Company of New York under the title of

"Deutsche Rentenbank-Kreditanstalt Farm Loan Secured 6% Gold Sinking Fund Bonds, Second Series of 1927".

The terms of this third American loan were identical with those for the second American loan, although with an issue rate of 95½ (as against 95), the proceeds transferred to us were ½ per cent higher. In consequence of this it was possible to pay over to the agriculturalist 91 per cent (as against 90½ per cent in the case of the second loan) which, taking into account the contribution to administrative costs fixed at ½ per cent and the amortisation in 33 years of the discount of 9 per cent, means an annual net interest charge for the agriculturalist of 7.407 per cent.

The loan to the amount of $ 50,000,000 is the largest German external loan privately contracted. As immediately after its conclusion applications to the amount of over RM 300,000,000 were received, it was very quickly exhausted.

Both loans are exempt from the tax on income derived from capital. They will not be introduced on to German stock exchanges.

For the application of the provisions relating to security the Trustee system is the same as that for our former loans; at the time of writing this report there are 62 Trustees in the Reich and 5 head Trustees in Berlin. We are grateful to the Reichsbank for again offering its services as Supervisory Trustee.

The two loans are still in the process of being paid out. At the close of the year about RM 219.3 millions had been paid over out of a total which works out at RM 336 millions in all.

In general we may say of the two loans that they have afforded agriculture considerably more favourable terms than those which could have been obtained from mortgage loans in Germany - which in any case were only obtainable on a small scale. They have accordingly been of marked assistance to German agriculture, struggling for its existence as it is, and have in addition greatly facilitated the repayment of the liquidation credits of the Rentenbank, since some of the bill liabilities of agriculture were covered from the proceeds. It was possible to conclude the third American loan immediately before the discussion in Germany and abroad on the priority of reparation charges over private loans and the security for public loans etc. began to affect the foreign market. Since then the unrest produced by this discussion has been succeeded by a more favourable attitude. Nevertheless at the time of writing our two last loans, which rank as private loans, are still quoted in New York at 2-3 per cent under the issue price. It is to be hoped that with careful treatment this state of affairs will soon be changed, since the demand by agriculture for funds from our American loans is still very great. It is true that the

mortgage bond market has revived since the expiration of the year under report; for the present however it is possible to place only the 8 per cent type of bond, which on the system of calculation applied above, including a contribution of ½ per cent to administrative costs, means an annual charge of over 9 per cent for the agriculturalist without amortisation. Under these circumstances agriculture, for which liberation from the pressure of short-term liabilities by their conversion into real credits is a vital question, would be much better off by the acquisition of further American credits out of a new loan contracted by us (if such a loan could be obtained on terms similar to those of the second and third American loans), than if it contracted mortgage loans in Germany. We are therefore devoting careful attention to the possibility of concluding a new external loan in the new year.

In the case of our <u>1st American loan</u>, in order to give to agriculture all the relief in our power, we renounced in the year which has just elapsed the annual contribution due to us of ½ per cent for administrative costs. We suggested to the real credit institutions that they should renounce a further ½ per cent, with which suggestion the majority of them complied; so that where this has been done the contribution to administrative costs is only ½ per cent in the case of the first American loan as in the case of later loans. By arrangements with our lenders in connection with the second and third American loans, we have made it possible for those agriculturalists who have received accommodation out of the first American loan subsequently to borrow up to the limit allowed from the second and third American loans. We may add that the

anticipatory repayment of the loan, which was formerly much desired, and which under the terms of the contract is not allowed until 1935, has for the time being at least lost attraction for agriculturalists, since, in the event of repayment which would have to be made at par, they would not be in a position to obtain equivalent accommodation in Germany at a net interest rate of 7 per cent.

The position in regard to our Golddiskontbank loan, the amount of which is limited to RM 360,000,000, is that at the end of the year under report covering mortgages were available to the amount of RM 356,750,000. The difficulties which are generally recognised as accompanying the registration of mortgages have meant that the business of passing on the funds of this loan, which were to go as far as possible to small holders, lasted through the whole of 1927 and will not be concluded until the beginning of the current year. Up to December 31, 1927, 41,534 individual credits in all had been granted to a total amount of RM 368,104,335. Of this total approximately RM 11,350,000 were repaid in the course of the year, the dates and amounts of repayment being such that the total credit granted at any time was always in the neighbourhood of the maximum limit of RM 360,000,000. In the past year we did not use the amounts repaid for the amortisation of the loan, but made further loans to agriculture instead in view of the urgent demand for this form of credit, which in relation to other loans is comparatively cheap. This explains the existence at the end of the year of covering mortgages for approximately RM 3.25 millions for new loans. With the close of the year under report we

suspended these new loans in agreement with the Golddiskontbank, since we now have carefully to consider bringing the latter's loan to an end, and we also no longer consider new credits out of the loan advisable in view of the approach of the first date of maturity (July 15, 1929).

The average mortgage for the Golddiskontbank loan (41,534 individual credits for a total amount loaned of RM 368,104,335) amounts to RM 8,863. The average mortgage is accordingly considerably smaller than the average for our first American loan, which was RM 14,700. In the case of all our loans, of which the second and third American loans - as already explained - are not yet finally closed, we have urged the real credit institutions to consider small holders as far as possible. We have also promoted relations between the real and the personal credit institutions, in order to give the latter an opportunity of passing on to the credit institutions the applications for loans of their customers, and in particular of small-holders' cooperatives. Although the desired relief for small and medium-sized undertakings may not everywhere be the same, this is due to circumstances beyond our control; conditions in regard to the Land Book are considerably more complicated in the case of small properties, while the costs of raising mortgages on medium and very small sites are disproportionately high, so that the parties concerned frequently do not desire such accommodation, which they look upon as unprofitable. The individual choice of the concerns to receive loans does not lie with us, but with the real credit institutions having business relations with us, which are responsible to us for any risks

involved and are also obliged to take over the proceeds of any loan, in regard to which they have concluded a loan contract with us, and to distribute the proceeds among agriculturalists.

IV. In regard to the agricultural improvement credits (Meliorationskredite), which are granted out of our own resources and are passed on through the Deutsche Bodenkultur A.G., no important change has occurred. They still total RM 15,000,000, the last remaining amount of which was loaned out during the year under report. The interest rate for these agricultural improvement credits is still 4 per cent, while there is likewise no change in the interest supplement of ½ per cent which the Deutsche Bodenkultur A.G. may charge the borrower. In regard to the repayment of the credits we have allowed for the requirements of the work of agricultural improvement by spreading the redemption payments over 20 years beginning on October 1, 1929. In conjunction with our collaboration in the work of agricultural improvement we have made available 1½ millions for the linking up of ditches and roads in connection with the amalgamation of pieces of land. These credits are granted to communes occupied by peasant undertakings mainly in the west and south of the Reich, the debtor to us being the Deutsche Bodenkultur A.G. The terms of the credits are identical with those of the general agricultural improvement credits.

In the course of the year the Government of the Reich began to take action with a view to reducing the interest for agricultural improvement loans; with this assistance it is intended to place on a broader basis the drainage of German soil, which is absolutely necessary if the home production of agricultural products is to be

increased. Reich subsidies of 6 millions per annum for 5 years are proposed, with the help of which agricultural improvement credits for RM 200,000,000 are to be brought down to a cost of 4½ per cent for 5 years. The necessary capital - in so far as it cannot be produced in Germany by the local credit institutions - is to be procured by the Rentenbank-Kreditanstalt, if necessary by the contracting of an external loan. Data in regard to the extent and execution of the improvements are not yet completely collected by the Reich and the Federal States. It may however be expected that in the course of this year the position will become clear and that it will be necessary for us to obtain the funds. In order to prevent the cessation in the meantime of the work of agricultural improvement, we have made available as an interim credit for urgent requirements in respect of schemes which must be begun at once a sum of RM 6 millions on the same terms as the agricultural improvement credits granted out of our own resources. Up to the present no recourse has been had to these funds.

In order to promote individual reclamation of waste land, we have raised to RM 1,000,000 the credit of RM 400,000 made available in the previous year for 10 years at an interest rate of 5 per cent. The rate of interest has been reduced from 5 per cent to 4½ per cent with the proviso that the individual owner is not to pay more than 5½ per cent.

The special credit to the amount of RM 1,200,000 mentioned in the previous report, which was made available to the Governments of the Federal States in 1926 for a period of 5 years in order to promote the cultivation of osiers was drawn upon in the course of the year to the amount of approximately RM 700,000.

The granting of interim credits for agricultural settlements in thinly populated areas from funds of the Reich was continued and considerably augmented during the year under report. The Settlements Committee of the Rentenbank-Kreditanstalt granted credits for RM 62,655,794. Including the applications for credit approved in 1926 to the amount of RM 14,274,149, a sum of RM 76,929,943 has been made available to settlements out of the appropriation of RM 100,000,000 for the budget years 1926 and 1927. Of this total RM 60,553,872 represent purchase credits, RM 7,552,077 credits for improvements, RM 575,550 credits for the initial establishment of settlers, and RM 8,248,444 general and special advances. Credits were actually paid over as the necessary security was produced to the amount of RM 65,597,085.29 by the end of the business year.

With the help of credits 56,756 hectares of land at an average price of RM 1,037.70 per hectare were purchased during the year under report and colonised to a considerable extent. In the budget estimates of the Reich for 1928 there appears a further appropriation of RM 50,000,000.

By agreement with the Reich we have further undertaken the granting of permanent credits to fugitive settlers and the acquisition of the necessary funds by means of borrowing. The preliminary work is in process of execution. The credits are for settlers whose rights have been cancelled and liquidated in ceded territories, and who have settled again within the present territory of the Reich. They were in many cases obliged to resettle at a time when only a small volume of interim credits was

available. The unequal and difficult loan conditions under which these settlers suffer and the inadequate equipment which many of them possess have induced the Governments of the Reich and of Prussia in the last few years to lend money to the settlers. The measures taken however have not provided adequate help. The Reich has accordingly decided in agreement with the Federal States to supply a permanent credit for these fugitives, bearing interest at 3½ per cent per annum plus amortisation at the rate of ½ per cent per annum. To this must be added an annual contribution of 1/8th per cent for administrative costs, bringing the total annual payment of the settler up to 4 1/8th per cent if the loan is paid over at par. The Government of the Reich is empowered by the law of July 16, 1927 (Reichsgesetzblatt I, page 183) to assume liability for the loans and has declared that it is prepared to bear interest and exchange differences in connection with the transaction. By the above-mentioned contract we have undertaken to procure funds, to negotiate with the creditors of the settlers and to settle with them, as well as to provide real security and pay over the credits. In conformity with the provisions of § 3 1c of the law of the Reich on the constitution of the Rentenbank-Kreditanstalt, the Government of the Reich has appointed for Prussia the various public settlement organisations in the provinces and the Neuland A.G. in Berlin, and corresponding institutions for the other Federal States, as the offices through which the credits must pass to the settlers. The work is to be pushed on so that most of it is completed in 1928.

Explanatory Notes on the Accounts for the Year

The following should be noted in connection with individual items of the balance sheet and profit and loss account:

Credit balances with other banks include funds for credits granted but not yet drawn upon, as well as the sum which is to be invested in securities in order to strengthen the separate special reserves. They further include the amount by which the "other liabilities" exceed the "other assets".

For the fulfilment of its liquidation liabilities in November we advanced to the Rentenbank a sum of which RM 4,931,499 was still outstanding at the close of the year. On the other hand, as the Rentenbank after fulfilling its liquidation obligations under § 11 of the Liquidation Law is no longer to transact business independently, we have taken over the bill claims outstanding from the liquidation credits as the party authorised by the Rentenbank to collect the bills and shall proceed in the matter as instructed by the Rentenbank. This explains the items credit balances with the Rentenbank and liquidation credits on the assets side of the balance sheet.

The item securities includes German securities yielding a fixed rate of interest, which we have deposited inter alia with the Reichsbank as separate special reserves for the bondholders of our first American loan, as well as our own holding of bonds of the American loans, which we have acquired in order to keep up the price of the loans and with a view to subsequent amortisation.

Our foreign exchange consists mainly of holdings for the redemption of coupons of our dollar loans (see counter entry on the liabilities side).

Personal credits granted for more than nine months include our instalment credits mentioned above to the total amount of RM 110 millions, this being the total so far separated by the credit institutions from the regular personal credits. The item further includes long-term capital investment credits, such as dairy and similar loans.

As in the case of the first American loan, for the second and third loans we have to some small extent provided similar mortgages from funds of the Rentenbank-Kreditanstalt as a reserve for the event of the disappearance and necessity for replacing covering mortgages (e.g. through forced sale). For the first American loan there is no reduction as against the previous year in these mortgages from our own funds, as can be seen from the balance sheet. On the contrary as the result of special circumstances they have been temporarily increased from RM 3,362,805 to RM 3,726,146 by necessary supplemental loans. This excess over the sum of RM 677,965.74 shown on the balance sheet has been deposited with the Reichsbank as provisional cover for our bonds of the third American loan. In the case of the Golddiskontbank loan, the figure for mortgages granted out of our own funds is provisional, since repayments are constantly being effected, although only for small amounts.

Other assets and other liabilities include all contra entries and all receipts and payments in respect of the second and third American loans not yet shown in the accounts. Under "other liabilities" we have entered a considerable sum which we owe to American banks for purchases of our bonds undertaken for

amortisation purposes and to keep up the price; we may note in passing that we suffer no loss of interest on this account.

The capital, which in the previous balance sheet was shown at RM 280 millions, has increased by the transfer of RM 30 millions in respect of the net profit of the Rentenbank for 1926 under § 9 of the Liquidation Law (see Report of the Rentenbank for 1926) and by the receipt of interest on land debts to the amount of RM 25 millions in accordance with § 9 of the same Law. For the current year no transfer from the net profit of the Rentenbank will be made.

The sums in respect of principal and special reserves shown in the balance sheet are obtained by the appropriation of net profit proposed in the previous report and approved by the general meeting; the special reserve however shows a decline of RM 200,000 as compared with the proposal of the previous report. This is explained by a decision of the general meeting of April 7, 1927, in virtue of which from the net profit for 1926 of the Rentenbank-Kreditanstalt RM 200,000 was to be transferred to the Kaiser-Wilhelm-Gesellschaft for the cultivation of plants, with the consent of the Government of the Reich and of the Reichsrat.

The reserves represent non-recurrent receipts obtained from the loaning of the proceeds from the first American loan and the Golddiskontbank loan, which have not been booked to one year in view of the long period for which the loans in question run.

The difference in amount between the debit and credit interest on our loans is explained by the fact that for a great part of the year we granted mortgage loans from our own funds on

the terms of the Golddiskontbank loan, before handing over the corresponding bonds to the Golddiskontbank, while for mortgages from our own funds on the terms of the first American loan there is no question of debit interest.

	RM	RM
From the net profit to the amount of		15,863,564.80
the following appropriations are to be made:		
at least 25 per cent to the principal reserve under § 11,2 of the Law	3,965,891.20	
and at least 33 1/3 per cent to the special reserve under § 11,3 of the Law	5,287,854.95	9,253,746.15
From the balance of		6,609,818.65
we propose to set aside		
for the pensions fund as in the preceding year	250,000.00	
and a further sum of	500,000.00	750,000.00
for agricultural purposes within the meaning of § 2.		
Of the RM 500,000, as in the previous year RM 200,000 are intended for the Kaiser-Wilhelm-Gesellschaft for the cultivation of plants, as the funds so far made available are not sufficient for the enlargement of the institution set up in Müncheberg. The further RM 300,000 are for milk research and will be assigned to the milk research institutions in a proportion to be fixed in more detail by the managing board.		
We propose that the balance of		5,859,818.65
be appropriated as a further special reserve under § 11,3, bringing the total for this reserve up to RM 23,874,962.74.		

We consider this appropriation to be necessary in view of the fact that, for our loans so far concluded to the total equivalent of RM 801 millions, the special reserve has to be brought up to a total of approximately RM 40 millions.

The sum which, according to the terms of our American loans, must be separated from the special reserve as a special separate

reserve and invested in securities will rise in the current year to RM 15,012,906.72. The balance of approximately RM 8,800,000 still remaining as special reserve according to our proposal would temporarily serve to strengthen our working funds.

Staff: In the course of the year under report Ministerialrat von Schenk resigned his position on the managing board as representative of the Reichsrat appointed by the Prussian Finance Ministry, owing to his retirement from the State service of Prussia. He was replaced by Ministerialrat Fimmen of the Prussian Finance Ministry.

At the time of writing there are employed in the two institutions (Rentenbank and Rentenbank-Kreditanstalt), in addition to the three members of the management and five managing clerks, 153 employees including domestic staff.

THE MANAGEMENT
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (CENTRAL BANK OF AGRICULTURE)

KISSLER LIPP SZAGUNN

We agree with the above report and with the proposal of the management for the distribution of the net profit.

THE MANAGING BOARD
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (CENTRAL BANK OF AGRICULTURE)

The Chairman

LENTZE

QW.

BALANCE SHEET OF THE DEUTSCHE
(Central Bank of Agriculture)

ASSETS	RM.
Cash in hand, Giro balances with the Reichsbank, postal cheque balances and credit balances with other banks	69,846,113.84
Credit balances with the Rentenbank	4,931,499.-
Securities	24,863,673.34
Foreign Exchange	3,900,216.44
Share holdings in other institutions	1,000,000.-
Personal credits	
not exceeding 9 months	183,739,984.78
longer periods	79,579,007.-
Liquidation credits	59,950,637.34
Agricultural improvement credits	17,436,576.76
Interim credits for agricultural settlements	64,965,321.39
Permanent credits for agricultural settlements	575,350.-
Mortgage loans	
from funds of the first American Loan	101,633,170.68
from funds of the Rentenbank-Kreditanstalt on the same terms	677,965.74
from Golddiskontbank loan funds	355,716,000.-
for the time being from funds of the Rentenbank-Kreditanstalt on the same terms	585,549.74
from funds of the second American loan	
(a) against definitive cover	77,179,373.40
(b) interim credits against provisional cover	34,697,750.-
from funds of the Rentenbank-Kreditanstalt on the same terms	995.-
from funds of the third American loan	
(a) against definitive cover	33,380,770.-
(b) interim credits against provisional cover	76,504,435.40
Deposited with the Reichsbank as cover for bonds	
(a) of the second American loan	13,560,680.-
(b) of the third American loan	100,114,794.60
sums retained until the extinction of revalorisation mortgages	
(a) from the second American loan	645,445.44
(b) from the third American loan	680,251.23
Share in interest on mortgage loans	13,408,297.46
Other assets	13,517,615.47
	1,333,091,474.05

RENTENBANK-KREDITANSTALT
as at DECEMBER 31, 1927.

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LIABILITIES	RM.
Capital	335,000,000.-
Principal reserve	4,725,763.13
Special reserves for bonds issued including separate special reserve for the first American loan of RM. 5,035,380.-	12,727,289.14
Reserve for share holdings in other institutions	1,000,000.-
First American loan 7 per cent bonds U.S.A. $ 25,000,000.- amount amortised $ 804,000.- = $ 24,196,000.-	101,623,200.-
Golddiskontbank loan 7 per cent mortgage bonds	355,716,000.-
Second American loan 6 per cent bonds U.S.A. $ 30,000,000.-	126,000,000.-
Third American loan 6 per cent bonds U.S.A. $ 50,000,000.-	210,000,000.-
Rentenbank liquidation credits	59,950,637.34
Credit balances of the Reich for agricultural settlements	66,625,319.15
Sums to be paid out upon the extinction of revalorisation mortgages	
(a) from the second American loan	645,445.44
(b) from the third American loan	680,251.23
Unredeemed interest coupons	3,688,671.-
Share in interest on bonds and mortgage certificates	13,487,362.-
Reserves	1,943,071.13
Pensions Fund	270,175.60
Other liabilities	23,144,724.09
Net profit	15,863,564.80
	1,333,091,474.05

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT AS AT DECEMBER 31, 1927.

Dr.	RM.	Cr.	RM.
Cost of Management	1,162,668.68	Interest on credits and short-term investments	13,119,973.44
Stamps, costs of issue and other payments in respect of the 1st American and Golddiskontbank loans	551,742.25	Interest on securities and foreign exchange	914,067.90
		Interest on mortgage loans	31,483,578.58
Interest on the 1st American and Golddiskontbank loans	28,030,792.25	Commission for the conclusion of loans, contributions to costs of management, etc	826,019.14
Writing down securities	734,871.08		
Net profit	15,863,564.80		
	46,343,639.06		46,343,639.06

Transl. 5608.

DOC. 291.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 15, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT APRIL 30, 1928.

(cf. DOC. 289)

The following is a translation of the balance sheet of the Rentenbank as at April 30, 1928, as published in the Reichsanzeiger No. 112 of May 14, 1928.

ASSETS	March 31, 1928	April 30, 1928.
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.3.28. Rent. M 1,699,844,000 as on 30.4.28, Rent. M 1,699,843,000		
Loan to the Reich	782,566 297.45	765,942,695.26
Outstanding claim (Rentenbank-Kreditanstalt)	59,583,551.39	59,086,375.06
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	101,098.09	99,626.96
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,407,358.09	3,381,767.28

LIABILITIES.	March 31, 1928	April 30, 1928.
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation :		
in public circulation	642,245,302.--	625,620,699.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the Liquidation of Rentenbank Notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	157,000.--
Credit balance of the Rentenbank-Kreditanstalt	3,834,171.55	3,237,859.62
Reserve out of profits	38,638,682.05	52,738,038.55
Reserves	5,980,670.33	5,980,670.33
Miscellaneous liabilities	501,105.65	501,152.85

After the approval of the 1927 balance sheet by the General Meeting of April 19, 1928, the net profit from 1927 to the amount of RM 14,099,356.50 was added to the Reserve out of profits carried forward from 1924/1926.

Under § 7a of the Law on the Liquidation of Rentenbank Notes, a further Rent. M 1,623,602.19 in respect of interest payments by the owners of mortgaged land was paid into the Sinking Fund at the Reichsbank, which under § 7b also received the Rent.M 15,000,000 maturing on April 1; the loan to the Reich and the Rentenbank notes in circulation were correspondingly reduced.

The total volume of Rentenbank notes redeemed since the coming into force of the Law on the Liquidation of Rentenbank Notes is

Rentenmarks	216,628,604.93	in virtue of	§ 7a	of the Law			
	210,000,000.--	"	"	§ 7b	"	"	"
	77,511,198.10	"	"	§ 7c	"	"	"
	880,334,583.--	"	"	§ 11	"	"	"
Rentenmarks	1,384,474,386.03						

The circulation of Rentenbank notes fell by Rent. M 1,000.-- to correspond with the increase in the Rentenbriefe in circulation.

I.I.9.611

DOC. 293

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 23, 1928.

REPORT OF THE GERMAN RAILWAY COMPANY FOR THE THIRD BUSINESS YEAR 1927 (January 1 to December 31, 1927)

The d e t a i l e d Report on the third business year of the Railway Company will appear shortly as DOC. 293 a.

Railway Company. The goods traffic figures show a considerable increase, the decline in coal transport after the conclusion of the English coal stoppage having been made up by transport of other commodities. The increase in the movement of goods extended to practically every category. The receipts from goods traffic were accordingly higher than might have been expected at the end of the year 1926. The receipts from passenger traffic, though somewhat lower than the estimates, were nevertheless larger than in 1926 though not as large as in 1925. On the expenditure side the personal expenditure, which represents in the main standing fixed charges, shows a specially large increase. The workmen's wages were increased on April 1 and on October 1, 1927, as a result of the arbitral decision of April 8, 1927. The salaries of officials underwent a considerable increase owing to the new regulations with regard to salaries which took effect as from October 1, 1927. The material expenditure, which at the outset had been estimated on very sparing lines, was increased

I.I.9.611 DOC. 293

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 23, 1928.

REPORT OF THE GERMAN RAILWAY COMPANY FOR THE THIRD BUSINESS YEAR 1927

(January 1 to December 31, 1927)

(cf. NOTE No. 43)

Complete translation of the German text published May 23, 1928.

The upward movement of traffic returns, which was apparent in the later months of 1926, continued in 1927, the third business year of the German Railway Company. The goods traffic figures show a considerable increase, the decline in coal transport after the conclusion of the English coal stoppage having been made up by transport of other commodities. The increase in the movement of goods extended to practically every category. The receipts from goods traffic were accordingly higher than might have been expected at the end of the year 1926. The receipts from passenger traffic, though somewhat lower than the estimates, were nevertheless larger than in 1926 though not as large as in 1925. On the expenditure side the personal expenditure, which represents in the main standing fixed charges, shows a specially large increase. The workmen's wages were increased on April 1 and on October 1, 1927, as a result of the arbitral decision of April 8, 1927. The salaries of officials underwent a considerable increase owing to the new regulations with regard to salaries which took effect as from October 1, 1927. The material expenditure, which at the outset had been estimated on very sparing lines, was increased

to a certain extent in consequence of the favourable returns of the receipts. As in 1926, provision was made for the gradual making good of the arrears in the matter of maintenance and renewals which were taken over at the time the Company was established.

The total results of the year 1927 are satisfactory so far as the operating account and the balance sheet are concerned. The receipts in the operating account amounted to RM 5039.3 millions, as against which there are RM 4158.8 millions of expenditure for operating, maintenance and renewals. Comparing the operating expenditure with the operating income we arrive at a working coefficient of 82.53 (as against 81.06 in the previous year). To the operating surplus of RM 880.5 millions must be added the 167.7 millions brought forward from the year 1926. RM 590.5 millions were assigned to interest and amortisation payments on the reparations bonds, 2.1 millions to the service of the new bonds and loans, 100.8 millions to the special legal reserve and 120.0 millions to the other necessary reserves. Of the remaining RM 234.8 millions of net profits RM 61.6 millions go to pay the preference dividend on the preference shares already issued. The balance of RM 173.2 millions is carried forward.

The position in regard to the liquidity of the Company's assets has developed less satisfactorily during the year. At the beginning of the year it was proposed to issue some 300 million GM of preference shares to finance capital expenditure. In consideration of the loan requirements of the Reich no issue was made in the spring of the year. In the autumn the German market was no longer in a position to take up a loan, and considerations of reparation policy blocked the way to an issue outside Germany. Under these circumstances the capital requirements of the Company had to be covered almost entirely out of current resources. At the same time, side by side with the statutory increase in the reparation payments,

there was the heavy increase in the personal expenditure of the Company to which reference has been made. It was found necessary in consequence towards the close of the year to make considerable reductions in the material expenditure. The visible reserves as shown in the balance sheet and the amount carried forward being fixed, the Company entered upon the new year without freely disponible resources of any kind. The issue of GM 200 millions of preference shares which has since then taken place serves only to meet a part of the capital requirements of the new year, though it has done something to ease the position in regard to the capital account.

In the year 1927 it was possible and in view of the pressure of the prevailing conditions essential to devote surpluses of income (in addition to the sums carried forward from the previous year) to productive expenditure: but in the current year the position is altogether different. The expenditure - by which is meant the unavoidable expenditure - shows an increase of approximately RM 650 millions since the beginning of the year 1927 and approximately 450 millions over the total for that year. This heavy additional charge can no longer be covered out of the progressive increase of receipts, if the existing tariff rates are maintained as a basis. The current expenditure on upkeep and renewals cannot possibly be cut down to such a point that the traffic is no longer safe and the public service cannot be maintained on proper lines. The operating receipts must also be called upon, in future as in past years, to provide resources on a considerable scale with which to cover expenditure on increase of plant, which is closely connected with upkeep and renewals. The Company cannot be saddled with the payment of interest on capital which is devoted, not to increasing, but to maintaining the present returns. Were any other policy to be adopted, the annual requirements of outside capital would

exceed the capacity of the market .

Under these circumstances no other course is left than to take steps (on the lines indicated in detail below) with a view to an increase of income, if there is no relief to be had on the expenditure side. The dominating principle must be that current operating expenditure must not be met by either short or long term borrowing.

The payments for the service of the reparation bonds have been made punctually at the due dates as agreed to a total amount of RM 590.5 millions. On September 1 1927 the fourth reparation year began and with it the standard annuities, which amount without the transport tax to RM 660 millions annually for interest and sinking fund on the 11 milliards of reparation bonds. In addition the Company has to provide RM 35 millions for the preference dividend on the GM 500 millions of preference shares issued to the Reich in execution of the Law for reparation purposes.

At the close of the second business year of the Company (1926) GM 81 millions of the 2 milliards GM of preference shares which are at the disposal of the Reichsbahn under the Law had been issued, so that GM 1119 millions were still in hand. There was no change in the position in this respect down to December 31 1927.

A new agreement has been reached with the Reichsbank with regard to the management of the Reichsbahn funds by the Verkehrs-Kredit-Bank on lines which meet the requirements of the Railway while they at the same time satisfy the wishes of the Reichsbank in regard to monetary and financial policy.

It has been possible to carry out current work of maintenance and renewal of the superstructures of the Railway, and to overtake in addition some of the arrears of the war and post-war periods. Special attention

is being paid to this matter of catching up arrears; but the extent of what can be done in this connection is largely dependent on the financial position. The aim of the Railway is gradually and (so far as possible) in continuous and regular stages to make an end of such arrears as appreciably disturb traffic and render difficult the working of the lines. Considerable funds were also expended in the course of the year for the purpose of strengthening bridges which are no longer in a position to carry the increased traffic. It would help an easier and smoother handling of the traffic if further effort could be made in connection with these works. The constructional work for the electrification of the Stadtbahn and Ringbahn in Berlin and the adjoining suburbs has been carried further according to programme. The necessary electric motor coaches and trailers are in course of construction: but the shortage of funds, which has prevailed since the close of the year under report, will make it impossible to introduce the complete electrified traction on all the lines by the prescribed date. Electric traction has been introduced on some main line stretches mainly in the case of lines radiating from Munich, and its introduction on certain other stretches has been begun. Of the remaining current constructional work only a part could be completed. A beginning has been made with the expansion and extension of the Railway system in the Ruhr and Rhine district, in order to cope with the growing requirements alike of the local and long distance traffic. The work in hand will take from 8 to 10 years according to the financial position. The credits made available last year by the Reich and by the State have made it possible to push forward or complete certain projects for the building of new tracks. Special interest attaches to the opening of the line Klanxbüll-Westerland, which connects the island of Sylt directly with the German railway syster

The park of rolling stock, other than passenger cars, is in general adequate. Of locomotives there has even been a surplus, though heavy fast-train engines and light branch line engines are short: as are also electric locomotors. In order to enable a more economical use to be made of the stocks of locomotives new orders for these types of engine have been placed on a modest scale. Similarly with the freight-car park, while the total number of cars is adequate, there is a shortage in certain special types of car; and the new orders on a relatively small scale which have been placed have not been able to make good this shortage. It has also been impossible to do anything to speak of to relieve the shortage of passenger cars, and at times of busy traffic it has been necessary to use freight-cars for the conveyance of passengers. The work on the improvement of the existing cars, for example the addition to the cars of stronger drawing gear, draw hooks, couplings and encased buffers, and the provision of electric lighting on D train cars has been carried further. Heavy expenditure is still however required to complete the work.

In the workshops of the Company the measures of economy, which are designed to speed up the work and improve its quality, have been extended further. By the end of the year 19 of the older shops had been closed down and 45 shop departments abolished.

Passenger traffic was heavier than in the preceding year. To cope with it the number of trains was increased, and the connections considerably improved, especially the connections with foreign countries. To meet the demand for holiday and excursion accomodation, the number of cheap special trains and Sunday return ticket facilities has again been increased. If service journeys of staff etc. are included, some 52 per cent of all the journeys made on the Company's lines were made at reduced rates. On May 15 1927 the system of 24 hour reckoning, which had hitherto only been used

by the Company for internal purposes, was introduced in the official public time-tables.

Goods traffic has developed satisfactorily. The large freight-cars for bulk shipments (Grossgüterwagen) have been found satisfactory in handling regular bulk transport: they are being increasingly used, and their number will have to be increased as soon as means permit. The competition of the motor car, which unlike the railway track has not to cover the whole of its upkeep costs itself, is making itself increasingly felt in the case of goods shipments. With a view to general improvement of transportation and in order to secure the use of the economically most suitable form of transportation in every case, we have improved and accelerated the transport by rail and made changes in the case of tariff charges. Cooperation with the automobile companies has been made closer, both sides endeavouring to avoid unhealthy competition between road and rail.

The same desire to meet the requirements of the public by closer cooperation with other forms of transport has led to the conclusion of an agreement with the Luft-Hansa Company which regulates and facilitates transshipment of freight from train to aeroplane and from aeroplane to train. The problem of the distribution of traffic as between railway, waterway and roadway is at the moment being considered by a Committee consisting of representatives of the Economic Council of the Reich, the Railway Council of the Reich and the Waterways Advisory Council of the Reich with the cooperation of the Central Management of the Railway.

As explained in our last report, we have subjected the question of normal goods tariff charges to a thorough examination in conjunction with the approved representatives of the business world. Our object in so doing was to mitigate and where possible remove the hardships and anomalies of the tariff system which weigh heaviest on the business of the country.

The new regulations in this sense, which were introduced towards the middle of the year, meet the wishes of the business community within the limits of what is financially possible. They reduce the differences between tariff classes and improve the ratio of the subsidiary to the main classes. Further, the consignment charges for short distances (up to 101 km) have been graded and thereby made less onerous. The falling off in the receipts as a result of these measures is estimated at some RM 75 millions yearly. The marked deterioration which has since taken place in the financial position of the Company has made it necessary to forego for the present the projects which had been simultaneously entertained for a general reduction of coal freights by lowering the consignment charge, and for reductions in the charges for iron and steel and iron and steel goods for export over the land frontiers, and again for hay and straw. It is however proposed to introduce these measures in connection with the tariff increases which are becoming necessary.

As in previous years a number of particular tariff reductions have been made in favour of local interests or for the general advantage of the public. Export over German maritime ports or over the land frontiers is encouraged by new exceptional tariffs, and the existing export tariff charges have also been reduced where this was indicated as desirable. Special attention has again been directed to the question of competitive tariffs. To encourage trans-shipments between the railway and the waterways, the internal rail and water charges have been further extended and developed within the limits of what is financially possible.

The Railway has been happily free of serious accidents in the year under report. Work is proceeding actively, so far as means permit, for the completion and extension of apparatus designed to prevent train accidents. In the Dresden district floods in the summer of 1927 destroyed the branch

lines in the Gottleuba and Müglitz valleys almost completely. It was not until the beginning of December 1927 that traffic could be resumed on these lines after the expenditure of considerable amounts on reconstruction.

The total numbers of staff employed in the year under report were reduced by some 3600 persons. The reduction is accounted for mainly by lowering of the shifts in the workshops of the Company. The number of officials was further reduced in the ordinary course, employees without the official character (nichtbeamtete Kräfte) being taken on in their place. As regards its salary and wage policy the attitude of the Company was determined by the action of the Reich. Following on the new regulations with regard to the salaries of the Reich officials, a new legal position with regard to the Reichsbahn officials was introduced and came into effect on October 1,1927. The new regulations for the pay of the railway employees are based on those for the pay of the officials of the Reich, though with special reference to those points which are peculiar to the Railway service. The emoluments of the pensioners and retaining pay recipients of the Railway were increased at the same time. The annual increase of expenditure as a result of the new regulations is in the neighbourhood of RM 215 millions. To this sum must be added non-recurrent expenditure, which will amount in 1928 to something like 15 millions. Lastly the increase in the housing allowances of the Railway officials, following the practice of the Reich in regard to its own officials in this connection, requires an additional RM 46 millions. The average income of a Railway official under the new regulations amounts to RM 3855 as compared with Mk 2110 before the war.

The annual pensions charge as a result of the increases totals RM 500 millions as compared with an expenditure of Mk.123 millions in 1913.

The wages of the workmen have also been increased as a result of an arbitral decision and latterly by an agreement concluded at the close of the year. At the time this report is drawn up the Company is paying an average wage of Rpf. 84 per working hour as against Pf.42 before the war. The increase of wages has also involved an increase in the social charges which represents in the case of the Company very considerable sums. We still continue to regard it as incumbant upon us to expand and support the voluntary organisations of the Company for relief and welfare purposes.

It was possible to handle the traffic without interruption or disturbance, though it exceeded in certain respects that of the period before the war, with the same numbers of staff in spite of the shortening of the working hours, thanks to the technical improvements introduced.

The balance sheet as at December 31, 1927 and the profit and loss account for the year 1927 call for the following remarks :

The balance sheets and all other closing figures of the German Railway Company are calculated in Reichsmarks. The capital of the Company - ordinary shares and preference shares - is expressed in Gold Marks in virtue of the Railway Law, while payments in respect of reparation bonds have also to be made in Gold Marks. Writing down the fluctuations of the exchange has in this year called for extra expenditure in Reichsmarks.

Annual closing of accounts.

The annual closing of accounts embraces receipts and payments in the operating account. The expenditure this year, as last year, has been sub-divided as follows :

I. Expenditure in respect of operation and maintenance;

II. Expenditure on renewal of plant.

In the year 1927 the German Railway Company again complied with § 9 of the Railway Law by maintaining and developing the plant, rolling stock and accessories according to traffic requirements and the progress in railway technique. Expenditure on maintenance and renewals is covered by operating receipts. The obligation to effect renewals corresponds with the charges which other undertakings meet by writing down.

Profit and loss account.

The profit and loss account shows the sum of RM 167,703,054.27 "Brought forward from the business year 1926" together with the "Operating surplus" of RM 880,505,653.86 on the credit side.

The item on the debit side "Service of reparation bonds" is in conformity with the terms of the Railway Law (§ 4) and the Statutes of the Company (§§ 8 and 25). Of the total amount of RM 590,466,615.00

RM 553,799,948.33 were for interest and RM 36,666,666.67 for legal amortisation. Further explanations are contained in the remarks on the balance sheet.

The item"To special legal reserve" is prescribed in § 25 of the Statutes of the Company.

The interest on the Reich credits which will be discussed further in connection with the balance sheet appearsunder "Service of ..... other bonds or loans". The item "To reserve for writing off concession" is also discussed in the same connection.

The "Net profits" amount to RM 234,830,875.34. The Board has decided to distribute this sum as follows:

a preference dividend of 7 per cent on the preference shares issued ..... RM 61,659,202.13

Of the above sum RM 5,250,000 had to be set aside in respect of an advanced payment of a 3½ per cent preference dividend on January 2 1928, since made, on the preference shares of series IV to the value of GM 150 millions. The preference dividends on series I, II, III and the balance of series IV are payable on the third day after the balance sheet has been approved by the Board.

The balance of RM 173,171,673.21 is to be carried forward to the new account.

Balance sheet.

The "Concession in respect of the (original) property taken over" is valued at an amount corresponding to the Company's legal obligations, i.e.

Ordinary shares.....		RM 13,000,000,000
Reparation bonds.....		" 11,000,000,000
Preference shares.....	RM 2,000,000,000	
of which.....	" 1,500,000,000	
represent the part,the proceeds of which go to the Company.....		" 500,000,000
	Together	24,500,000,000

Out of the RM 24 500,000,000 representing the total value of the concession, the RM 13,000,000,000 representing ordinary shares are not subject to writing off, in view of the fact that they do not represent any capital claim and no reserve is to be formed for their withdrawal (§ 25 paragraph 2 figure 4c of the Statutes of the Company). The balance of RM 11,500,000,000 has to be written off before expiration of the concession. In accordance with § 25 (2) figure 1 of the Statutes this sum is to be written off within the same period and at the same rate at which reparation bonds are redeemed and GM 500,000,000 preference shares are withdrawn, the Reich having a claim in respect of proceeds from the latter. The redemption of reparation bonds is regulated by § 8 of the Statutes of the Company. The profit and loss account therefore contains a sum of RM 36,666,666,67 as "Legal amortisation of reparation bonds and corresponding writing off of concession in respect of the (original) property taken over". The same amount is entered in the balance sheet under "Concession in respect of the (original) property taken over" as "Legal writing off", and under "Reparation bonds" as "Legal amortisation".

As regards "Concession in respect of increases of plant" the balance sheet as at December 31 1926 showed

the sum of	RM 646,609,375.30
the increase in 1927 totalled	" 348,532,232.46
so that the present balance sheet shows	RM 995,141,607.76

The expenditure in question was incurred for the purpose of increasing plant.

The following remarks may be made with regard to the "preference shares":

1. Issued to the Reich in 1925:

GM 500,000,000	7 per cent	preference	shares	-	Series	I.
GM 124,000,000	7 "	"	"	"	"	II.

Issued to the Reich in 1926:

GM 107,000,000 7 per cent preference shares - Series III.

2. There were also issued to the public in 1926:

GM 150,000,000 7 per cent preference shares - Series IV.

There was no issue of preference shares in 1927.

In accordance with § 4 of the Railway Law and § 8 of the Company's Statutes "Reparation bonds" have been entered for the value of RM 11,000,000,000. Of this amount RM 36,666,666.67 have as mentioned been amortised.

The "Working supplies" cover the stocks of working material, permanent way and building materials, materials for electrical plant, workshop material and spare parts. The value at the end of 1926 amounted to RM 439,022,115,23. At the end of 1927 it had fallen by RM 31,483,151.79 to RM 407,538,963.44. The valuation was carefully carried out and does not exceed the sums resulting from an application of the provisions contained in § 261 figure 1 of the Commercial Code.

As regards "Cash in hand" RM 8,573,349.27 and RM 66,080,047.05 have been entered in the balance sheet for 1926 and 1927 respectively.

In the 1926 balance sheet the holdings of the branch cash offices were treated in accordance with the usual financial practice as advances from the head cash offices and therefore carried to account as claims. In the present balance sheet these amounts are treated as cash in accordance with business principles, and this explains the increase in the item "Cash in hand".

The item "Credit balances with banks" which showed RM 532,153,429.47 in 1926 is entered for RM 374,109,090.97 in 1927, that is to say a reduction of RM 158,044,338.50.

The issue of further preference shares had been contemplated to meet expenditure in respect of increases of plant during the second half of 1927. As this was not possible the available liquid funds had to be drawn upon so that their volume was correspondingly reduced by the end of the year.

The sum of RM 5,250,000, required to be "Set aside for preference dividends (advanced payment series IV)", has been carried forward on the assets side of the balance sheet.

The items "Securities" and "Bills" represent investments due to the accumulation of funds for the special legal reserve.

The claims "On traffic receipts account" are due principally to the fact that receipts due in respect of traffic with other railways cannot be calculated to their entire amount before the close of the year.

"Other claims" are mostly building loans. Loans which the Company has received from third parties, for example from public bodies for the continuance of constructional work already begun, appear under "Other debts". The items are shown at their respective values.

The "Temporary accounts" amounting to RM 49,096,509.65 serve to delimit the two years 1927 and 1928.

The "Holdings in other undertakings" have increased by RM 8,500,000 from RM 8,000,000 to RM 16,500,000. Their value has been estimated with prudence.

The net property of the German Railway concern, to the value of RM 756,085,548.72, was transferred to the Company on October 1 1924. This sum is shown in the opening balance sheet as "Working reserve" and is shown in the present balance sheet, as in 1926, at the same figure.

With a view to making provision from the outset for writing off the concession in respect of increases of plant, the special "Reserve for writing off concession" was increased by RM 120,000,000, bringing it up from RM 220,000,000 to RM 340,000,000.

The "Reserve for providing employment" entered in last year's balance sheet as RM 70,000,000 was devoted to increases of plant in accordance with agreement.

The "Caution monies (Pfandgelder) and suspense accounts" included under "Sundry debts" are derived from current business.

In regard to the credits provided by the Reich in accordance with the scheme for providing employment, the credit "For combating unemployment" was drawn on to the extent of RM 80,000,000. It was decided not to draw upon the balance of RM 20,000,000 still available under the original agreement.

The credit "For continuance of suspended constructional work" which totalled RM 53,313,000, was drawn on to the extent of RM 28,700,000 down to the end of 1927, in conformity with the progress in constructional work.

The whole of the books from which the accounts have been made up, and the closing of accounts figures including the balance sheet and the profit and loss account, have been audited by the Central Audit Office of the German Railway Company and found correct. Further, Professor Dr. Schmalenbach of Cologne, as expert of the Board, has examined the balance sheet and profit and loss account with a view to ascertaining whether they have been drawn up in accordance with the provisions of the Railway Law and the Statutes of the Company, and has found them to be in order.

There has been no change in the composition of the Board or of the Management of the German Railway Company since last year.

The past year has made great calls on the Board of the German Railway Company. If we have succeeded in carrying out our task to the benefit both of the country as a whole and of the undertaking, this is due to the zeal and loyalty of the officials, employees and workmen of the Company.

BERLIN, May 16, 1928.

The Chairman of the Board
C.F. von SIEMENS.

The General Manager
DORPMUELLER.

ANNUAL CLOSING OF ACCOUNTS 1927.

OPERATING ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1927.

	RM.
OPERATING RECEIPTS	
Passenger Traffic	1,379,571,978.57
Goods Traffic	3,226,400,653.45
Other receipts	433,296,590.86
Total:	5,039,269,222.88
OPERATING PAYMENTS	
I. Payments in respect of operation and maintenance	
a) Payments to Staff	
Salaries of officials	1,068,395,590.86
Wages of employees and workmen	399,646,915.14
Pensions and retaining pay of officials, pensions of widows and orphans	423,966,358.33
Other payments	286,074,494.80
Total:	2,178,083,359.13
Less: General expenditure for renewals and increase of plant	88,624,568.45
Balance a) Payments to Staff	2,089,458,790.68
b) Payments for Material	
Maintenance of supplies and working material	440,115,211.34
Maintenance of permanent way and structures	308,477,135.27
Maintenance of rolling stock and machinery	542,041,362.86
Other payments	97,561,348.11
Total:	1,388,195,057.58
Less: General expenditure for renewals and increase of plant	39,816,835.10
Balance b) Payments for Material	1,348,378,222.48
Total I a) and b) : Payments in respect of operation and maintenance	3,437,837,013.16
II. Payments for renewal of railway plant	
Renewal of supplies	2,166,626.88
Renewal of permanent way and structures	479,324,748.18
Renewal of rolling stock and machinery	239,435,180.80
Total II : Payments for Renewals	720,926,555.86
Total I and II : Operating Payments	4,158,763,569.02
Giving a surplus of :	880,505,653.86

PROFIT AND LOSS ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1927.

Dr.		RM.	Cr.	RM.
Service of Reparation Bonds RM. 590,466,615.00 distributed as follows:			Brought forward from 1926	167,703,054.27
a) interest on Reparation Bonds		553,799,948.33	Working surplus from 1927	880,505,653.86
b) legal amortisation of Reparation Bonds and corresponding writing off of concession in respect of the (original) property taken over		36,666,666.67		
Service of new bonds and loans		2,125,833.33		
To special legal reserve		100,785,384.46		
To reserve for writing off concession		120,000,000.00		
Net profits		234,830,875.34		
To be distributed as follows:				
Preference dividends:				
Advance payment on Series IV	RM. 5,250,000.00			
As yet undistributed (Series I,II,III balance of Series IV)	56,409,202.13	61,659,202.13		
Carried forward to 1928		173,171,673.21		
		234,830,875.34		
		1,048,208,708.13		1,048,208,708.13

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BALANCE SHEET OF THE GERMAN RAILWAY

A S S E T S	RM.	RM.
Concession in respect of the (original) property taken over	24,500,000,000.00	
less legal writing off	36,666,666.67	24,463,333,333.33
Concession in respect of increases of plant		995,141,607.76
Working supplies		407,538,963.44
Cash in hand		66,086,047.05
Credit balances with banks		374,109,090.97
Set aside for preference dividend (advance payment Series IV)		5,250,000.00
Securities		171,567,728.88
Bills		994,400.00
Claims:	RM.	
on traffic receipts account	11,386,221.69	
on insurance and welfare organisations ...	131,832.89	
other claims	76,970,816.61	88,488,871.19
Temporary accounts		49,096,509.65
Holdings in other undertakings		16,500,000.00
Total :		26,638,100,552.27

Gold mark amounts are entered at the rate of 1 gold mark = 1 RM.

Berlin, May 16, 1928.

COMPANY AS AT DECEMBER 31, 1927.

LIABILITIES			RM.
Ordinary shares			13,000,000,000.00
Preference shares:			
a) the proceeds which the Reich is entitled to claim			500,000,000.00
b) the proceeds of which go to the German Railway Company	RM.1,500,000,000.00		
less those not yet issued	1,119,000,000.00		381,000,000.00
Reparation bonds	11,000,000,000.00		
less legal amortisation	36,666,666.67		10,963,333,333.33
Legal reserve (Ausgleichsrücklage			304,975,050.12
Working reserve (Betriebsrücklage)			756,085,548.72
Reserve for writing off concession			340,000,000.00
Sundry debts:		RM.	
Caution moneys (Pfandgelder) and Suspense accounts		4,124,486.06	
Credits of the Reich:	RM.		
for combating unemployment	80,000,000.00		
for continuance of suspended constructional work	28,700,000.00	108,700,000.00	
Insurance and welfare organisation		5,056,594.48	
Other debts		39,994,664.22	157,875,744.76
Net profit			234,830,875.34
To be distributed as follows:			
Preference dividends:			
Advance payment on Series IV	RM. 5,250,000.00		
As yet undistributed (Series I,II,III and balance of Series IV)	56,409,202.13	61,659,202.13	
Carried forward to 1928		173,171,673.21	
		234,830,875.34	
		Total:	26,638,100,552.27

THE GERMAN RAILWAY COMPANY

Chairman of the Board — C.F. VON SIEMENS

General Manager — DORPMUELLER

STATISTICS SHOWING IMPORTANT RESULTS OBTAINED IN THE BUSINESS YEAR 1927 AS COMPARED WITH 1926 AND 1913.

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I. AVERAGE LENGTH OF LINES WORKED

Kilometers

1	2	3	4	5
1913 old frontiers	1913 present frontiers	Nature of lines	1927	1926
.	.	1. Main lines - generally	30,503.09	30,474.05
.	.	2. Secondary lines - generally	22,108.10	21,928.18
57,564	49,881	3. Standard gauge - " (1 + 2)	52,611.19	52,402.23
57,220	49,552	4. Standard gauge for goods traffic	52,165.84	51,964.89
55,928	48,305	5. " " " passenger traffic	50,721.37	50,544.81
1,075	860	6. Narrow gauge - generally	934.67	934.48
1,075	860	7. " " for goods traffic	934,25	934.06
905	690	8. " " " passenger traffic	861.76	861.76
58,639	50,741	9. Lines - generally (3 + 6)	53,545.86	53,336.71
58,295	50,412	10. " for goods traffic (4 + 7)	53,100.09	52,898.95
56,833	48,995	11. " " passenger traffic (5 + 8)	51,583.13	51,406.57
58,474	50,576	12. " worked by steam ..... (9)	52,408.07	52,359.86
165	165	13. " worked by electricity ..... (9)	1,137.79	976.85
.	.	14. Lines navigated by ship - generally	690.85	690.85
.	.	15. " " " " for goods traffic	676.65	676.65
.	.	16. " " " " " passenger traffic	376,85	376.85
.	.	17. " " " " " the conveyance of railway rolling stock on own wheels	187.75	187.75
58,627	50,885	18. Length of lines owned - generally	53,535.29	53,416.42
		distributed as follows :		
10.84	10.83	19. per 100 sq.km. surface	11.42	11.40
8.76	8.48	20. per 10,000 inhabitants	8.58	8.56

II. OPERATING RETURNS

A. Locomotive-kilometers in thousands

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Nature of returns	1927		1926	
	%		%			%		%
				Goods traffic				
282,342	47.23	241,000	46.78	101. Train-kilometers	235,128	44.96	219,772	44.48
7,123	1.19	6,500	1.26	102. Hauling-car and transfer-table service kilometers	4,553	0.87	3,825	0.78
28,925	4.84	25,700	4.99	103. Empty-trip kilometers	34,670	6.63	33,219	6.72
231,392	38.71	199,990	38.82	104. Switching service in km	186,119	35.59	176,849	35.79
6,141	1.03	5,400	1.05	105. Stand-by-service in km	7,793	1.49	7,868	1.59
(41,836)	7.00	(36,600)	7.10	106. Standing by under steam in km	54,725	10.46	52,566	10.64
597,759	100.00	515,190	100.00	107. Total 101 - 106	522,988	100.00	494,099	100.00
				Passenger traffic				
476,221	73.39	420,000	73,94	111. Train-kilometers	366,039	76.40	347,200	75.45
16,047	2.47	12,500	2.20	112. Hauling-car and transfer-table service kilometers	2,570	0.54	2,487	0.54
31,590	4.87	27,000	4.75	113. Empty-trip kilometers	8,816	1.84	8,680	1.89
44,072	6.79	38,010	6.69	114. Switching service in km	52,023	10.86	51,921	11.28
10,359	1.60	9,000	1.59	115. Stand-by-service in km	6,740	1.40	7,091	1.54
(70,571)	10.88	(61,500)	10.83	116. Standing by under steam in km	42,919	8.96	42,770	9.30
648,860	100.00	568,010	100.00	117. Total 111 - 116	479,107	100.00	460,149	100.00
				Service traffic				
				118. Train-kilometers	5,016	32.76	4,492	32.23
				119. Hauling-car and transfer-table service kilometers	31	0.20	21	0.15
11,327	100.00	10,000	100.00	120. Empty-trip kilometers	2,070	13.52	1,906	13.68
				121. Switching service in km	4,805	31.38	4,340	31.14
				122. Stand-by service in km	1,012	6.61	972	6.97
				123. Standing by under steam in km	2,378	15.53	2,206	15.83
11,327	100.00	10,000	100.00	124. Total 118 - 123	15,312	100.00	13,937	100.00

II. OPERATING RETURNS (continued)

A. Locomotive-kilometers in thousands (continued)

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Nature of returns	1927		1926	
	%		%			%		%
1,257,946	100.00	1,093,200	100.00	125. Total locomotive-km (107 + 117 + 124)	1,017,407	100.00	968,185	100.00
				distributed as follows:				
597,759	47.52	515,190	47.13	a) Goods traffic (107)	522,988	51.40	494,099	51.03
648,860	51.58	568,010	51.96	b) Passenger traffic (117)	479,107	47.09	460,149	47.53
11,327	0.90	10,000	0.91	c) Service traffic (124)	15,312	1.51	13,937	1.44
1,245,446	99.01	1,081,300	98.91	d) Steam driven	985,936	96.91	942,448	97.34
			(	e) Electrically driven	14,717	1.45	12,707	1.31
12,500	0.99	11,900	1.00(	f) Electric motor coaches	7,862	0.77	6,151	0.64
			(	g) Other types of locomotive	8,892	0.87	6,879	0.71
793,060	100.00	690,000	100.00	126. Of the total locomotive-kilometers (125) the total of productive km	613,337	100.00	577,797	100.00
				is distributed as follows:				
289,465	36.50	247,500	35.87	a) Goods traffic (101 + 102)	239,681	39.08	223,597	38.70
492,268	62.07	432,500	62.68	b) Passenger traffic (111+112)	368,609	60.10	349,687	60.52
11,327	1.43	10,000	1.45	c) Service traffic (118 + 119)	5,047	0.82	4,513	0.78
780,591	98.43	678,131	98.28	d) Steam driven	584,681	95.33	554,834	96.03
			(	e) Electrically driven	12,232	1.99	10,279	1.78
12,469	1.57	11,869	1.72(	f) Electric motor coaches	7,701	1.26	6,077	1.05
			(	g) Other types of locomotive	8,723	1.42	6,607	1.14
6,200	.	6,200	.	127. Returns of 2nd, 3rd and 4th motor coaches in motor-coach trains	14,799	.	11,097	.
.	.	.	.	128. Trial runs in workshops, locomotive empty-trip runs from and to railway repair shop	6,136	.	.	.
				distributed as follows:				
.	.	.	.	a) Steam driven	6,032	.	.	.
.	.	.	.	b) Other types	104	.	.	.
.	.	.	.	129. Locomotive-unit-km steam driven	2,355,575	.	2,195,036	.

II. OPERATING RETURNS (continued)

B. Train and car-axle-kilometers in thousands

1 1913 Old frontiers	2 1913 Present frontiers	3 Nature of returns	4 1927	5 1926
		Goods traffic		
282,000	241,600	131. Train-kilometers	234,733	218,993
925	792	132. " " daily return	767	716
20,694,000	17,747,000	133. Axle-kilometers in goods trains	18,737,322	17,208,186
67,849	58,187	134. " " " " daily return	61,233	56,236
73	73	135. Composition of trains (133 : 131) axles	80	79
0.03	0.03	151. Hauling car and transfer-table service - locomotive km per 1 train km (102 : 131) km	0.02	0.02
0.10	0.11	152. Empty-trip-locomotive-kms per 1 train-kilometer (103 : 131) km	0.15	0.15
0.82	0.83	153. Switching-service-locomotive-kms per 1 train-kilometer (104 : 131) km	0.79	0.81
0.17	0.17	154. Stand-by-service-locomotive-kms and standing-by-under-steam-kms per 1 train-kilometer (105 + 106 : 131) km	0.27	0.28
2.12	2.13	155. Total locomotive-kms per 1 train-kilometer (107 : 131) km	2.23	2.26
4.84	4.79	156. Density of traffic : train-kilometer per 1 km length of line worked (131 : 10)	4.42	4.14
354.09	352.04	157. Density of traffic : axle-km per 1 km of line worked (133 : 10)	352.87	325.30
		Service traffic		
11,000	9,400	161. Train-kilometers	4,936	4,556
485,000	416,000	162. Axle-kilometers	101,711	118,867

II. OPERATING RETURNS (continued)

B. Train and car-axle-kilometers in thousands (continued)

1	2	3	4	5
1913 Old frontiers	1913 Present frontiers	Nature of returns	1927	1926
		Passenger traffic		
477,000	420,000	171. Train-kilometers	366,144	346,037
1,307	1,151	172. " " daily return	1,003	948
11,398,000	10,274,000	173. Axle-kilometers	9,784,711	9,243,369
31,227	28,148	174. " " daily return	26,807	25,324
24	24	175. Composition of trains (173 : 171) axles	27	27
0.03	0.03	181. Hauling-car and transfer-table service-locomotive-kms per 1 train-km (112 : 171) km	0.01	0.01
0.07	0.06	182. Empty-trip-locomotive-km per 1 train-km (113 : 171) km	0.02	0.03
0.09	0.09	183. Switching-service-locomotive-kms per 1 train-km (114 : 171) km	0.14	0.15
0.17	0.17	184. Stand-by-service-locomotive-kms & standing-by-under-steam-kms per 1 train km (115+116:171) km	0.14	0.14
1.36	1.35	185. Total locomotive-kms per 1 train-km (117:171) km	1.31	1.33
8.39	8.57	186. Density of traffic : Train-kms per 1 km length of line worked (171:11)	7.10	6.73
200.55	209.69	187. Density of traffic : Axle-kms per 1 km length of line worked (173 : 11)	189.69	179.81
		Total		
770,000	671,000	191. Train-kms (131 + 161 + 171)	605,813	569,586
32,577,000	28,437,000	192. Axle-kms (133 + 162 + 173)	28,623,744	26,570,422
42	42	193. Composition of trains (192 : 191) axles	47	47
13.13	13.22	194. Density of traffic : Train-kms per 1 km length of line worked (191 : 9)	11.31	10.68
555.55	560.43	195. Density of traffic : Axle-kms per 1 km length of line worked (192 : 9)	534.57	498.16

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II. OPERATING RETURNS (continued)

C. Operating ton-kilometers in goods and passenger traffic

1	2	3	4	5
1913 Old frontiers	1913 Present frontiers	Nature of returns	1927	1926
		Goods traffic		
74,826	64,108	201. Operating net-ton-kms in millions	77,207	70,503
		distributed as follows:		
.	.	a) passenger trains	924	882
.	.	b) goods trains (including service trains)	76,283	69,621
.	.	202. Operating gross-ton-kms in millions	169,452	153,052
		distributed as follows:		
.	.	a) passenger trains	3,272	2,674
.	.	b) goods trains (including service trains)	166,180	150,378
.	.	203. Ton-kilometers of dead load in millions (202-201)	92,245	82,549
.	.	204. Relation of net-ton-kilometers to gross-ton-kilometers (201 : 202) %	45.56	46.06
.	.	205. Average transport distance (201 : 301) km	158	161
.	.	206. Goods train weight, productive load 201 b : (131 + 161) in tons	318.28	311.44
.	.	207. Goods train weight, gross load 202 b : (131 + 161) in tons	693.37	672.68
		Passenger traffic		
.	.	211. Operating gross ton-kms in passenger trains in millions	79,230	73,722
.	.	212. Passenger train weight, gross load (211 : 171) in tons	216.39	213.05
		Together		
239,829	208,547	213. Operating gross-ton-kms of total traffic (202 b + 211) in millions	245,410	224,100
		comprising:		
239,310	208,028	a) steam-driven	238,171	218,700
519	519	b) other types of locomotive	7,239	5,400

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars

1 1913 Old frontiers	2 1913 Present frontiers	3 Nature of returns	4 1927	5 1926
		Freight cars		
14,769,000	12,666,000	221. Axle-kms of loaded freight cars in thousands	13,398,799	11,972,031
6,001,000	5,146,000	222. " " " empty freight cars in thousands	5,064,792	5,026,051
20,770,000	17,812,000	223. " " " loaded and empty freight cars, total in thousands	18,463,591	16,998,082
.	.	224. " " " baggage cars in goods trains in thousands	566,019	508,234
.	.	225. " " " railway cars for postal purposes in thousands	94,885	87,132
.	.	226. " " " all cars in goods trains (including service trains) and freight cars in passenger trains in thousands	19,298,435	17,769,233
71.11	71.11	227. Ratio of axle-kms of loaded freight cars to those of loaded and empty freight cars (221 : 223) %	72.57	70.43
5.07	5.06	228. Productive load per loaded freight car axle (201 : 221) tons	5.76	5.89
3.60	3.60	229. Productive load per axle loaded and empty (201 : 223) tons	4.18	4.15
.	.	230. Gross load per axle (202 : 226) tons	8.78	8.61
4.14	4.11	231. Dead weight per freight car axle tons	4.56	4.78
7.14	7.14	232. Average loading weight per freight car axle tons	7.99	7.94
		233. Utilisation of loading weight of freight car axles		
71.01	70.87	a) loaded (228 : 232) %	72.09	74.18
50.42	50.42	b) loaded and empty (229 : 232) %	52.32	52.27

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars (continued)

1	2	3	4	5
1913 Old frontiers	1913 Present frontiers	Nature of returns	1927	1926
		Passenger cars		
9,110	.	241. Axle-kms of passenger cars in all trains in thousands	7,904,467	7,491,324
.	.	242. Axle-kms of passenger cars in passenger trains in thousands	7,734,055	7,312,725
.	.	243. Axle-kms of baggage cars in passenger trains in thousands	1,122,499	1,042,965
.	.	244. Gross load per car axle (211 : 173) in tons	8.10	7.98

III. TRAFFIC RETURNS

A. Goods traffic

Quantities of goods transported and tariff-ton-kilometers

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description of returns	1927		1926	
	%		%			%		%
				Quantities of goods in thousands of tons				
525,000	100.00	467,000	100.00	301. Quantities of goods transported				
				Total	489,045	100.00	438,546	100.00
				distributed as follows:				
450,000	85.71	399,000	85.44	302. Public traffic	434,063	88.76	381,868	87.08
75,000	14.29	68,000	14.56	303. Service material (excluding locomotives)	54,982	11.24	56,678	12.92
	100.00		100.00	302. is distributed as follows:		100.00		100.00
.	.	.	.	304. Over the lines of the German Railway Company	356,251	82.07	308,359	80.75
.	.	.	.	305. Consigned to other railway lines distributed as follows:	39,202	9.03	37,655	9.86
.		.	.	a) German private lines	16,289	3.75	14,317	3.75
.	.	.	.	b) foreign countries	22,913	5.28	23,338	6.11
.		.	.	306. Received from other lines distributed as follows:	36,118	8.32	31,656	8.29
.	.	.	.	a) German private lines	15,471	3.56	12,858	3.37
.	.	.	.	b) foreign countries	20,647	4.76	18,798	4.92
.	.	.	.	307. Through traffic	.	.	1,524	0.40
.	.	.	.	308. Transit traffic	2,492	0.58	2,674	0.70
	100.00		100.00	303. is distributed as follows:		100.00		100.00
				309. Service material for which freightage was charged	7,831	14.24	7,479	13.20
75,000	100.00	68,000	100.00	310. Service material for which no freightage was charged	47,151	85.76	49,199	86.80
	100.00		100.00	The total goods traffic (301) is distributed as follows:		100.00		100.00
.	.	.	.	311. Goods traffic for which freightage was charged (302 + 309)	441,894	90.36	389,347	88,78

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Quantities of goods transported and tariff-ton-kilometers (continued)

1		2		3		4		5	
1913 Old frontiers		1913 Present frontiers		Description of returns		1927		1926	
	%		%				%		%
67,135	100.00	57,282	100.00	321. Tariff-ton-kms of total traffic in millions		72,614.2	100.00	64,783.5	100.00
				including:					
60,478	90.08	51,429	89.78	322. Public traffic (302)		64,887.7	89.36	59,015.3	91.10
61,367	91.41	.	.	323. Freightable traffic (311)		65,416.5	90.09	59,423.6	91.73
				Average despatch distance					
128		123		324. Total traffic (321 : 301)	km	148.5		147.7	
134		129		325. Public traffic (322 : 302)	km	149.5		154.6	
.		.		326. Freightable traffic (323 : 311)	km	148.0		152.6	

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions

1		2		3		4	5		6		7	
1926							1927					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
2,830.6	100	438.6	100	64,783.5	100	351. Total goods traffic distributed as follows:	3,226.4	100	489.0	100	72,614.2	100
1,324.2	46.8	135.2	30.8	18.654.6	28.8	352. Ordinary tariffs	1,671.1	51.8	167.4	34.2	24,093.4	33.2
1,321.9	46.7	243.4	55.5	39,758.0	61.4	353. Special tariffs	1,351.2	41.9	263.1	53.8	40,195.1	55.3
5.7	0.2	0.3	0.1	71.3	0.1	354. Military materials including animals & vehicles on military tickets & way bills	5.7	0.2	0.3	0.1	64.0	0.1
4.1	0.1	0.5	0.1	45.9	0.1	355. Traffic for armies of occupation (goods, animals and corpses transported)	2.8	0.1	0.4	0.1	51.6	0.1
50.5	1.8	2.5	0.6	486.6	0.7	356. Animals excluding those conveyed as military material	55.6	1.7	2.8	0.6	483.6	0.7
11.3	0.4	7.5	1.7	407.2	0.6	357. Service materials for which freightage was charged	13.8	0.4	7.8	1.6	528.8	0.7
-	-	49.2	11.2	5,359.9	8.3	358. Service materials for which no freightage was charged	-	-	47.2	9.6	7,197.7	9.9
112.8	4.0	-	-	-	-	359. Additional receipts from general traffic	126.1	3.9	-	-	-	-
0.1	.	-	-	-	-	360. Additional receipts from traffic for armies of occupation	0.1	.	-	-	-	-

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions (continued)

1		2		3		4	5		6		7	
1926							1927					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
1,324.2	100	135.2	100	18,654.6	100	361. The ordinary tariffs (352) are distributed as follows:	1,671.1	100	167.4	100	24,093.4	100
112.4	8.5	2.0	1.5	319.2	1.7	a) despatch and express goods in piece goods	140.3	8.4	2.4	1.5	418.1	1.7
0.9	0.1	(0.02)	.	3.2	.	b) despatch goods per car load	0.9	0.1	(0.02)	.	4.3	.
326.4	24.6	12.3	9.1	2,224.6	11.9	c) goods - piece goods (ordinary)	439.1	26.3	15.4	9.2	3,027.2	12.6
883.3	66.7	120.8	89.4	16,095.0	86.3	d) ordinary goods per car load	1,090.2	65.2	149.5	89.3	20,641.2	85.7
1.2	0.1	(0.03)	.	12.6	0.1	e) corpses	0.6	.	(0.01)	.	2.6	.
1,321.9	100	243.4	100	39,758.0	100	362. The special tariffs (353) are distributed as follows:	1,351.2	100	263.1	100	40,195.1	100
10.7	0.8	2.9	1.2	175.1	0.5	a) milk as despatch goods	11.6	0.9	3.0	1.1	180.3	0.5
14.6	1.1	0.7	0.3	85.3	0.2	b) other despatch goods	15.5	1.1	0.6	0.2	94.3	0.2
27.3	2.1	1.4	0.6	248.1	0.6	c) ordinary goods - piece goods	32.2	2.4	1.5	0.6	323.6	0.8
1,269.3	96.0	238.4	97.9	39,249.5	98.7	d) ordinary goods per car load	1,291.9	95.6	258.0	98.1	39,596.9	98.5

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions (continued)

1		2		3		4	5		6		7	
1926							1927					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
810.4	28.6 100	173.9	39.7 100	27,547.8	42.5 100	363. Of the total goods traffic (351) coal comprised distributed as follows:	742.3	23.0 100	173.9	35.6 100	26,343.1	36.3 100
						364. Ordinary tariffs						
6.9	0.9	2.9	1.7	113.8	0.4	a) coal, briquettes, coke and waste materials	4.8	0.7	1.8	1.0	91.6	0.4
0.8	0.1	0.3	0.2	13.1	0.1	b) lignite, briquettes and coke	1.0	0.1	0.4	0.2	16.0	0.1
						365. Special tariffs						
591.0	72.9	110.5	63.5	20,011.0	72.6	a) coal, briquettes and coke	519.6	70.0	105.1	60.5	16,892.4	64.1
211.7	26.1	47.7	27.4	5,837.9	21.2	b) lignite, briquettes and coke	216.9	29.2	52.4	30.1	5,675.4	21.5
-	-	12.5	7.2	1,572.0	5.7	366. Service materials for which no freightage was charged	-	-	14.2	8.2	3,667.7	13.9

III. TRAFFIC RETURNS (continued)

B. Passenger traffic

1	2	3	4	5
1913 Old frontiers	1913 Present frontiers	Description of returns	1927	1926
1,743.4	1,577	381. Total number of passengers carried in millions	1,909.2	1,819.4
		Class travelled per 100 passengers transported :		
0.13	.	a) 1st class	0.04	0.04
7.59	.	b) 2nd class	4.49	4.91
41.99	.	c) 3rd class	31.52	32.99
50.29	.	d) 4th class	63.95	62.06
49.37	.	e) at normal fares	47.69	50.53
50.63	.	f) at reduced fares	52.31	49.47
.	.	g) at standard fares	35.63	37.49
.	.	h) at special fares	64.37	62.51
90.27	.	i) general traffic	76.65	75.97
	(	j) metropolitan, circle and suburban traffic		
9.73	. (	in Berlin	18.80	19.47
	(	k) metropolitan and suburban traffic in Hamburg	4.55	4.56
40,473.4	36,599	382. Total number of passenger-kms. in millions	45,547.9	42,922.4
		Distributed per 100 passenger-kms. as follows :		
0.90	.	a) 1st class	0.44	0.40
10.09	.	b) 2nd class	6.09	6.54
44.30	.	c) 3rd class	31.56	33.58
44.71	.	d) 4th class	61.91	59.48
75.90	.	e) at normal fares	61.29	64.32
24.10	.	f) at reduced fares	38.71	35.68
.	.	g) at standard fares	55.74	57.85
.	.	h) at special fares	44.26	42.15
96.30	.	i) general traffic	89.28	88.32
	(	j) metropolitan, circle and suburban traffic		
3.70	. (	in Berlin	8.49	9.25
	(	k) metropolitan and suburban traffic in Hamburg	2.23	2.43

III. TRAFFIC RETURNS (continued)

B. Passenger traffic (continued)

1 1913 Old frontiers	2 1913 Present frontiers	3 Description of returns	4 1927	5 1926
956.3	.	383. Receipts from passenger traffic in millions	1,330.7	1,273.2
		Distributed per 100 RM. as follows :		
2.88	.	a) 1st class	1.56	1.45
17.15	.	b) 2nd class	11.97	12.45
45.10	.	c) 3rd class	36.61	38.15
34.87	.	d) 4th class	49.86	47.95
87.00	.	e) at normal fares	78.78	81.28
13.00	.	f) at reduced fares	21.22	18.72
.	.	g) at standard fares	74.93	77.22
.	.	h) at special fares	25.07	22.78
96.52	.	i) general traffic	94.07	93.85
	(	j) metropolitan, circle and suburban traffic		
3.48	. (	in Berlin	4.86	5.07
	(	k) metropolitan and suburban traffic in Hamburg	1.07	1.08
		384. General traffic - long distance - (excluding metropolitan, circle and suburban traffic in Berlin and Hamburg)		
		a) class travelled per 100 passengers transported :		
0.15	.	1st class	0.05	0.05
4.28	.	2nd class	1.24	1.38
36.12	.	3rd class	15.29	16.88
59.45	.	4th class	83.42	81.69
	.	b) distribution per 100 passenger-kms :		
1.03	.	1st class	0.49	0.45
9.14	.	2nd class	5.00	5.28
40.54	.	3rd class	25.16	26.93
49.29	.	4th class	69.35	67.34

B. Passenger traffic (continued)

1 1913 Old frontiers	2 1913 Present frontiers	3 Description of returns	4 1927	5 1926
		c) receipts, distributed per 100 RM as follows :		
3.05	.	1st class	1.66	1.55
16.45	.	2nd class	11.39	11.81
44.25	.	3rd class	33.95	35.55
36.25	.	4th class	53.00	51.09
.				
23.22	23.21	385. Average distance carried (382 : 381) km.	23.86	23.59
84.85	87.14	386. Passengers per train (382 : 171)	124.40	124.04
.	.	387. Passengers per passenger-car axle (382 : 242)	5.89	5.87
3.55	3.56	388. Passengers per car axle (382 : 173)	4.66	4.64

IV. FREIGHT CARS SUPPLIED

A. As a whole

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
48,010,289		40,703,815		401. Total number of freight cars supplied	45,682,153		39,746,045	
157,411		133,455		402. Freight cars per working day	149,288		129,889	
.		.		403. Covered cars	21,145,737		18,007,836	
.		.		404. " " per working day	69,104		58,849	
.		.		405. Open cars	18,751,323		16,746,701	
.		.		406. " " per working day	61,279		54,728	
	%		%	407. Not supplied in time:		%		%
.	.	.	.	a) cars of all types (401)	283,882	0.6	487,747	1.2
.	.	.	.	b) covered cars (403)	59,558	0.3	25,965	0.1
.	.	.	.	c) open cars (405)	82,123	0.4	353,396	2.1

IV. FREIGHT CARS SUPPLIED (continued)

B. For coal, coke and briquettes per working day in units of 10 tons

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
				411. Ruhr district				
31,735		31,735		a) supplied	28,367		28,320	
25	0.1	25	0.1	b) not supplied in time	57	0.2	270	1.0
				412. Upper Silesia				
11,515		2,902		a) supplied	5,664		5,272	
-	-	-	-	b) not supplied in time	-	-	4	0.1
				413. Lower Silesia				
1,427		1,427		a) supplied	1,502		1,451	
3	0.2	3	0.2	b) not supplied in time	2	0.1	3	0.2
				414. Central-German lignite basin				
6,432		6,432		a) supplied	9,232		8,569	
16	0.2	16	0.2	b) not supplied in time	2	0.0	106	1.2

V. LOCOMOTIVE PARK

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
29,121	100.0	25,519	100.0	431. Total park at end of year	24,895	100.0	25,921	100.0
				distributed as follows:				
29,102	99.9	25,502	99.9	432. Steam-driven locomotives	24,575	98.7	25,616	98.8
.	.	.	.	433. Locomotives with combustion engines	4	0.0	4	0.0
19	0.1	17	0.1	434. Electrically-driven locomotives	316	1.3	301	1.2
				The steam-driven locomotives (432) are distributed as follows:				
.	.	20,529	80.5	435. In working order	19,219	78.2	19,506	76.1
.	.	4,973	19.5	436. Under repair	5,356	21.8	6,110	23.9
.	.	.	.	437. Park - yearly average	25,372	100.0	26,732	100.0
				distributed as follows:				
	.	.	.	438. Steam-driven locomotives	25,061	98.8	26,453	99.0
	.	.	.	439. Locomotives with combustion engines	4	0.0	3	0.0
.	.	.	.	440. Electrically-driven locomotives	307	1.2	276	1.0
				The steam-driven locomotives (438) are distributed as follows:				
.	.	.	.	441. In working under	19,292	77.0	20,393	77.1
.	.	.	.	442. Under repair	5,769	23.0	6,060	22.9
				Steam-driven locomotives				
	.		.	443. Locomotive-productive-kms per locomotive (126d:438) in thousands	23.33		20.97	
	.		.	444. Locomotive-productive-kms per locomotive in working order (126d:441) in thousands	30.31		27.21	
	.		.	445. Locomotive-kms per locomotive (125d:438) in thousands	39.34		35.63	
	.		.	446. Locomotive-kms per locomotive in working order (125d:441) in thousands	51.11		46.21	

VI. MOTOR COACH AND MOTOR COACH TRAILER PARK

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
421	100.0	387	100.0	451. Total Park at end of year	583	100.0	553	100.0
				distributed as follows :				
180	42.8	180	46.5	452. Motor coaches with overhead wires and contact rails	341	58.5	343	62.0
241	57.2	207	53.5	453. Other motor coaches	242	41.5	210	38.0
148	100.0	148	100.0	454. Motor coach trailers	458	100.0	437	100.0
				distributed as follows :				
140	94.6	140	94.6	455. Control coaches	216	47.2	226	51.7
8	5.4	8	5.4	456. Intermediate coaches	242	52.8	211	48.3
				The motor coaches and trailers are distributed as follows :				
558	98.1	524	97.9	457. For passenger transport	1,013	97.3	965	97.5
.	.	.	.	" " " axles	3,530	98.0	3,363	98.0
9	1.6	9	1.7	458. For baggage transport	7	0.7	7	0.7
.	.	.	.	" " " axles	20	0.6	20	0.6
2	0.3	2	0.4	459. As Service cars	21	2.0	18	1.8
.	.	.	.	" " " axles	59	1.4	49	1.4
.	.	.	.	460. Total Park (Yearly average)	564	100.0	523	100.0
				distributed as follows :				
.	.	.	.	461. Motor coaches with overhead wires and contact rails	339	60.1	314	60.0
.	.	.	.	462. Other motor coaches	225	39.9	209	40.0
.	.	.	.	463. Motor coach trailers	448	100.0	395	100.0
				distributed as follows :				
.	.	.	.	464. Control coaches	221	49.3	201	50.9
.	.	.	.	465. Intermediate coaches	227	50.7	194	49.1
				The motor coaches and trailers are distributed as follows :				
.	.	.	.	466. For passenger transport	985	97.3	893	97.3
.	.	.	.	" " " axles	3,434	97.9	3,108	97.8
.	.	.	.	467. For baggage transport	7	0.7	7	0.7
.	.	.	.	" " " axles	20	0.6	20	0.6
.	.	.	.	468. As Service cars	20	2.0	18	2.0
.	.	.	.	" " " axles	54	1.5	49	1.6

VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
752,686	100.0	634,694	100.0	481. Total number of cars (excluding traverse trolleys), at end of year	757,063	100.0	754,726	100.0
.	.	.	.	Total number of axles	1,606,532	100.0	1,602,695	100.0
64,415	8.5	57,505	9.1	482. Passenger cars	61,764	8.1	62,356	8.3
.	.	.	.	" " axles	175,372	10.9	176,653	11.0
17,927	2.4	15,706	2.5	483. Baggage cars	21,002	2.8	21,549	2.8
.	.	.	.	" " axles	48,407	3.0	49,651	3.1
				Distribution of baggage cars (483):				
.	.	.	.	a) Cars for passenger trains	8,177	38.9	8,373	38.9
.	.	.	.	" " " " axles	22,748	47.0	23,259	46.8
.	.	.	.	b) Cars for goods trains	12,825	61.1	13,176	61.1
.	.	.	.	" " " " axles	25,659	53.0	26,392	53.2
565	0.1	565	0.1	484. Mail cars owned by the Railway	-	-	532	0.1
.	.	.	.	" " " " " " axles	-	-	1,600	0.1
669,779	89.0	560,918	88.3	485. Freight cars	674,297	89.1	670,289	88.8
.	.	.	.	" " axles	1,382,753	86.1	1,374,791	85.8
				Distribution of freight cars (485):				
665,471	99.4	557,287	99.4	a) Covered freight cars	226,551	33.6	227,174	33.9
				" " " axles	455,809	33.0	457,049	33.2
.	.	.	.	b) Uncovered freight cars	436,915	64.8	434,448	64.8
				" " " axles	900,398	65.1	895,836	65.2
4,308	0.6	3,631	0.6	c) Service cars	10,831	1.6	8,667	1.3
.	.	.	.	" " axles	26,546	1.9	21,906	1.6
				486. In addition:				
173	.	173	.	Narrow-gauge traverse trolleys per pair	317.5	.	317.5	.
.	.	.	.	" " " " axles	1,270	.	1,270	.

VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK (continued)

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
730,608	100.0	.	.	487. Total number of cars (excluding traverse trolleys), yearly average	755,628	100.0	764,878	100.0
.	.	.	.	Total number of axles	1,603,813	100.0	1,623,216	100.0
62,908	8.6	.	.	488. Passenger cars	62,060	8.2	63,092	8.3
.	.	.	.	" " axles	176,012	11.0	178,285	11.0
17,323	2.4	.	.	489. Baggage cars	21,275	2.8	21,690	2.8
.	.	.	.	" " axles	49,029	3.0	50,008	3.1
				Distribution of baggage cars (489):				
.	.	.	.	a) Cars for passenger trains	8,275	38.9	8,337	38.4
.	.	.	.	" " " " axles	23,003	46.9	23,260	46.5
.	.	.	.	b) Cars for goods trains	13,000	61.1	13,353	61.6
.	.	.	.	" " " " axles	26,026	53.1	26,748	53.5
557	0.1	.	.	490. Mail cars owned by the Railway	-	-	547	0.1
.	.	.	.	" " " " " " axles	-	-	1,625	0.1
649,820	88.9	.	.	491. Freight cars	672,293	89.0	679,549	88.8
				" " axles	1,378,772	86.0	1,393,298	85.8
				Distribution of freight cars (491):				
			(	a) Covered freight cars	226,863	33.7	229,232	33.7
			(	" " " axles	456,429	33.1	461,186	33.1
645,663	99.4	.	.(	b) Uncovered freight cars	435,681	64.8	442,312	65.1
			(	" " " axles	898,117	65.1	911,737	65.4
4,157	0.6	.	.	c) Service cars	9,749	1.5	8,005	1.2
.	.	.	.	" " axles	24,226	1.8	20,375	1.5
				492. In addition:				
171	.	.	.	Narrow-gauge traverse trolleys per pair	317.5	.	313	.
.	.	.	.	" " " " axles	1,270	.	1,253	.
.		.		493. Car-axle-kms per passenger car (242:488) in thousands	124.62		115.91	
31.96		.		494. Car-axle-kms per freight car (223:491) in thousands	27.46		25.01	

VIII. FUEL AND LUBRICANTS CONSUMED WHEN OPERATING UNDER STEAM

1	2	3		4	5
1913 Old frontiers	1913 Present frontiers	Description		1927	1926
15,454	13,499	501. Fuel Consumption in thousands	tons	12,811.4	12,059.0
12.41	12.48	502. Fuel consumption per 1000 locomotive-kilometers (501 : 125 d + 128 a)	tons	12.92	12.80
.	.	503. Fuel consumption per 1000 locomotive-unit-kilometers (501 : 129)	tons	5.44	5.50
64.58	64.89	504. Fuel consumption per 1 million operating gross ton-kilometers (501 : 213 a)	tons	53.79	55.14
24,560	21,323	510. Lubricant consumption in thousands	kgs	18,124.2	16,262.0
19.72	19.72	511. Lubricant consumption per 1000 locomotive-kilometers (510 : 125 d + 128 a)	kgs	18.27	17.26
.	.	512. Lubricant consumption per 1000 locomotive-unit-kilometers (510 : 129)	kgs	7.69	7.41

IX. WORKSHOPS

1	2	3		4		5	
1913 Old frontiers	1913 Present frontiers	Description		1927		1926	
%	%				%		%
		Cost in thousands of RM					
.	.	521. Maintenance of rolling stock, total distributed as follows:		778,852	100.0	.	.
.	.	522. Steam-driven locomotives		301,018	38.6	.	.
.	.	523. Electrically-driven locomotives		4,678	0.6	.	.
.	.	524. Motor coaches		6,958	0.9	.	.
.	.	525. Passenger cars and passenger-train baggage cars		134,609	17.3	.	.
.	.	526. Freight and service cars, mail cars belonging to the Railway and goods-train baggage cars		277,773	35.7	.	.
.	.	527. Special services rendered		53,816	6.9	.	.
.	.	528. Cost of repairs per steam-driven locomotive (522 : 438)	RM	12,011.4		.	
.	.	529. Cost of repairs per electrically-driven locomotive (523 : 440)	RM	15,237.8		.	
.	.	530. Cost of repairs per motor coach (524 : 461 + 462)	RM	12,336.9		.	
.	.	531. Cost of repairs per passenger car and passenger-train baggage car (525 : 488 + 489 a)	RM	1,913.8		.	
.	.	532. Cost of repairs per freight and service car, mail car belonging to the Railway and goods-train baggage car (526:491+490+489b)	RM	405.3		.	
.	.	533. Cost of repairs per 1000 locomotive-kilometers of steam-driven locomotives (522 : 125 d)	RM	305.3		.	
.	.	534. Cost of repairs per 1000 locomotive-kilometers of electrically-driven locomotives (523 : 125e)	RM	317.9		.	
.	.	535. Cost of repairs per 1000 kilometers of motor coaches (524 : 125 f + g + 127)	RM	220.5		.	
.	.	536. Cost of repairs per 1000 axle-kilometers of passenger cars and passenger-train baggage cars (525 : 241 + 243)	RM	14.9		.	
.	.	537. Cost of repairs per 1000 axle-kilometers of freight cars, goods-train baggage cars and service cars (526 : 223 + 224 + 225)	RM	14.5		.	

X. STAFF - AVERAGE FIGURES FOR THE YEAR.

1		2		3		4		5	
1913 Old frontiers		1913 Present frontiers		Description		1927		1926	
	%		%				%		%
774,433	100.0	692,714	100.0	551. Total staff		704,016	100.0	707,570	100.0
294,851	38.1	263,887	38.1	552. Officials	(Included under 551)	313,672	44.6	320,101	45.2
479,582	61.9	428,827	61.9	553. Workmen	(Included under 551)	390,344	55.4	387,469	54.8
.	.	.	.	554. Management	(Included under 551)	32,327	4.6	31,847	4.5
.	.	.	.	555. Upkeep of permanent way	(Included under 551)	124,731	17.7	128,989	18.2
.	.	.	.	556. Inspection of permanent way	(Included under 551)	32,272	4.6	31,811	4.5
.	.	.	.	557. Station and despatch services	(Included under 551)	224,750	31.9	220,450	31.1
.	.	.	.	558. Train attendants	(Included under 551)	52,332	7.4	52,150	7.4
.	.	.	.	559. Engine drivers and firemen	(Included under 551)	68,508	9.7	65,779	9.4
.	.	.	.	560. Mechanics excluding engine and workshop service	(Included under 551)	52,705	7.5	53,260	7.5
.	.	.	.	561. Running-workshop service	(Included under 551)	20,957	3.0	22,029	3.1
.	.	.	.	562. Head workshops	(Included under 551)	95,434	13.6	101,255	14.3
13.21		13.65		563. Total staff per km. of line worked (551 : 9)		13.15		13.27	
.		.		564. Total staff, excluding workshops, per km. of line worked 551 - (561 + 562) : 9		10.97		10.95	
1.01		1.03		565. Total staff per 1,000 train kms. (551 : 191)		1.16		1.24	
.		.		566. Total staff, excluding workshops, per 1,000 train kms. 551 - (561 + 562) : 191		0.97		1.03	
2.38		2.44		567. Total staff per 100,000 car-axle-kms. (551 : 192)		2.46		2.66	
.		.		568. Total staff, excluding workshops, per 100,000 car-axle-kms. 551 - (561 + 562) : 192		2.05		2.20	

XI. RECEIPTS

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
				Receipts in thousands of RM				
997,244	28.44	904,000	29.57	601. Passengers and baggage	1,379,572	27.38	1,320,175	29.07
2,255,378	64.31	1,927,000	63.02	602. Goods traffic	3,226,401	64.02	2,830,620	62.34
254,108	7.25	226,700	7.41	603. Other receipts	433,296	8.60	390,006	8.59
3,506,730	100.00	3,057,700	100.00	604. Total	5,039,269	100.00	4,540,801	100.00
11,497		10,025		605. Total per working day	16,468		14,839	
				Passenger traffic				
0.09		0.09		611. Receipts per axle-km of passenger trains (601:173) RM	0.14		0.14	
2.09		2.15		612. Receipts per train-km of passenger trains (601:171) RM	3.77		3.82	
17,547		18,451		613. Receipts per kilometer of line worked (601:11) RM	26,745		25,681	
0.57		0.57		614. Receipts per passenger carried (601:381) RM	0.72		0.73	
2.46		2.47		615. Receipts per passenger-kilometer (601:382) Rpf	3.03		3.08	
				Goods traffic				
0.11		0.11		621. Receipts per axle-km of goods trains (602:133) RM	0.17		0.16	
8.00		7.98		622. Receipts per train-km of goods trains (602:131) RM	13.74		12.93	
38,689		38,225		623. Receipts per kilometer of line worked (602:10) RM	60,761		53,510	
5.01		4.83		624. Receipts per ton (excluding goods for railway use) (602:302) RM	7.43		7.41	
4.30		4.13		625. Receipts per ton (including goods for railway use) (602:301) RM	6.60		6.45	
.		3.01		626. Receipts per net ton-kilometer (602:201) Rpf	4.18		4.01	
.		.		627. Receipts per gross ton-kilometer (602:202) Rpf	1.90		1.85	

1	2	3		4	5
1913 Old frontiers	1913 Present frontiers	Description		1927	1926
		Goods traffic (continued)			
3.36	3.36	628. Receipts per tariff-ton-kilometer of total traffic (602:321)	Rpf	4.44	4.37
3.60	.	629. Receipts per tariff-ton-kilometer of public traffic (excluding goods for railway use and subsidiary receipts)	Rpf	4.76	4.59
3.57	.	630. Receipts per tariff-ton-kilometer of traffic liable to freight charges (excluding subsidiary receipts)	Rpf	4.74	4.57
		Total traffic including goods for railway use			
0.11	0.11	631. Of the total receipts there fall to 1 axle-km (604:192)	RM	0.18	0.17
4.55	4.56	632. Of the total receipts there fall to 1 train-km (604:191)	RM	8.32	7.97
59,802	60,261	633. Of the total receipts there fall to 1 kilometer of line worked (604:9)	RM	94,111	85,135

XII. OPERATING PAYMENTS

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%	Payments in thousands of RM		%		%
.	.	.	.	651. Operation and maintenance	3,437,837	82.66	3,223,755	87.59
.	.	.	.	652. Renewal of permanent way and structures	720,926	17.34	456,807	12.41
2,458,264	100.00	2,205,200	100.00	653. Operating payments (651 + 652)	4,158,763	100.00	3,680,562	100.00
83.27		83.04						
493,803	16.73	450,300	16.96	654. Service of the debt	.	.	.	.
2,952,067	100.00	2,655,500	100.00	655. Total	4,158,763	100.00	3,680,562	100.00
554,663		402,200		656. Operating surplus	880,506		860,239	
70.10		72.12		657. Ratio of total operating payments to receipts, operating co-efficient (653 : 604)	82.53		81.06	
	%		%	Of the total operating payments there fall to:		%		%
1,509,313	61.40	1,350,200	61.23	658. Payments to staff (including wages of permanent way, upkeep and workshop workers)	2,611,484	61.31	2,511,300	65.71
948,951	38.60	855,000	38.77	659. Payments for material	1,647,979	38.69	1,310,502	34.29
2,458,264	100.00	2,205,200	100.00	660. Total (658 + 659)	4,259,463	100.00	3,821,802	100.00
-	-	-	-	less: the payments still to be transferred to the account for increase of plant and included in (660)	100,700	-	141,240	-
2,458,264	-	2,205,200	-	661. Leaving as operating payments (653)	4,158,763	-	3,680,562	-
0.08		0.08		662. Total operating payments per axle-km (653:192) RM	0.15		0.14	
3.19		3.29		663. Total operating payments per train-km (653:191) RM	6.86		6.46	
41,922		43,460		664. Total operating payments per kilometer of line worked (653 : 9) RM	77,667		69,006	
1,948.93		1,949.14		665. Payments to staff per head of total staff (658:551) RM	3,709.41		3,549.19	

XIII. ACCIDENTS IN RAILWAY TRAFFIC ON STANDARD LINES.

1		2		3	4		5	
1913 Old frontiers		1913 Present frontiers		Description	1927		1926	
	%		%			%		%
3,563	100.0	3,082	100.0	701. Total number of accidents	3,434	100.0	3,097	100.0
				Consisting of :				
356	10.0	308	10.0	a) derailments	438	12.8	470	15.2
308	8.6	267	8.7	b) collisions	242	7.0	208	6.7
2,899	81.4	2,507	81.3	c) other accidents	2,754	80.2	2,419	78.1
108	100.0	93	100.0	702. Number of passengers killed	107	100.0	172	100.0
90	83.3	77	82.8	through own carelessness	99	92.5	106	61.6
759	100.0	657	100.0	703. Number of passengers injured	624	100.0	1,157	100.0
212	27.9	183	27.9	through own carelessness	358	57.4	323	27.9
744	100.0	644	100.0	704. Number of railway servants killed	447	100.0	380	100.0
714	96.0	618	96.0	through own carelessness	431	96.4	375	98.7
1,392	100.0	1,204	100.0	705. Number of railway servants injured	1,296	100.0	1,110	100.0
1,181	84.8	1,021	84.8	through own carelessness	1,221	94.2	1,015	91.4
3,768	100.0	3,259	100.0	706. Total number of persons killed or injured	3,123	100.0	3,364	100.0
2,794	74.2	2,415	74.1	through own carelessness	2,631	84.2	2,290	68.1
6.19		6.07		711. Accidents per 100 km. of line worked	6.53		5.91	
4.66		4.59		712. Accidents per million train km.	5.71		5.48	
0.11		0.11		713. Accidents per million car-axle-km.	0.12		0.12	
4.93		4.86		714. Persons killed or injured per million train km.	5.19		5.95	
3.65		3.60		through own carelessness	4.37		4.05	
0.12		0.11		715. Persons killed or injured per million car-axle-km.	0.11		0.13	
0.09		0.08		through own carelessness	0.09		0.09	

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REPORT OF THE GERMAN RAILWAY COMPANY

FOR THE THIRD BUSINESS YEAR.

(January 1 - December 31,1927)

continuation - (cf. DOC.293)

Complete translation of the second part of the German text of the report published May 23, 1928.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE THIRD BUSINESS YEAR

OF THE GERMAN RAILWAY COMPANY

(January 1 - December 31, 1927)

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BERLIN, May 23, 1928.

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FOR THE THIRD BUSINESS YEAR

(January 1 - December 31, 1927)

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I. TRAFFIC AND GENERAL OPERATIONS.

A. GOODS TRAFFIC

The goods traffic of 1927 satisfactorily illustrates the progressive economic development of Germany. Throughout the year traffic maintained a high level and was appreciably greater than in the previous year.

Development

The decline of goods traffic, which commenced at the beginning of December 1926 following the termination of the British coal stoppage, continued in January 1927. Such a decline in January is however a feature of each year and is due to the closing of accounts and the drawing up of inventories in that month, as well as to the conclusion of the beet season and the small degree of activity in the building industry during the cold period. The goods traffic increased slowly but steadily from February to May and maintained the level reached in the latter month during June and July. No increase of goods traffic was recorded in August as the harvest -

and therefore the transport of the same - was delayed by the wet summer. The volume of traffic rose very considerably with the beginning of harvest traffic in September, and reached its highest level in October. Following the decline in the transport of agricultural products and building materials, goods traffic again decreased in November and diminished still further in the usual manner in December.

Further improvements were effected in the transport of goods. In this way it was possible to recapture freight which had lately given preference to other means of transport.

Supply of cars.

Freight cars were supplied in accordance with the development of traffic. The supply of cars throughout exceeded that of the previous year, even during the second half of 1927, despite the fact that the British coal stoppage was responsible for a large volume of traffic in 1926. The supply of cars in 1927 also exceeded the supply in 1913 in the present territory of the Reich throughout the year.

In general it was possible to meet the demands made on the freight car park in 1927 without delay. Nevertheless on several occasions recourse had temporarily to be had to the special measures for speeding up the circulation of cars, for increasing the supply and for restricting the demand, which are prescribed for periods when there is a maximum demand. We were always able to overcome the occasional difficulties with regard to the prompt supply of cars within a very short period. From time to time also traffic requirements did not necessitate the utilisation of the entire freight car park, so that on several occasions part of the cars was withdrawn from circulation and held in reserve.

Traffic

As regards short distance goods traffic, the more frequent running of light and quicker goods trains has improved transport and shortened the time of conveyance, thereby effectively counteracting competition from other means of transport.

In long distance goods traffic it was found possible to effect a considerable reduction in the time of transport in many cases, by the creation of new connections and the linking up of existing connections. For example since the winter time-table came into force freight consignments take the following time:

from Hamburg to Kufstein	56	hours	instead	of	73	hours
from Hamburg to Passau	40	"	"	"	46	"
from Bremen to Salsburg	55	"	"	"	69	"
from Bâle to Cologne	17	"	"	"	23	"

Through train connections also extend beyond the frontiers of the Reichsbahn system. The southern and east European railways are endeavouring to establish good connections with the German services.

The goods train time-table issued by the German Railway Company whenever the time-table changes has grown increasingly popular with consignors and in railway circles. A growing number of foreign railway managements have issued goods train time-tables on the German pattern covering their own sphere of activity. The importance of the goods train time-table will be appreciated from the fact that a number of central, southern and east European railway companies have requested the German Railway Company to issue a European goods train time-table on the lines of the German Railway Company's time-table, which will appear for the first time in May, 1928.

The application of the Kunze-Knorr goods train brake has been further extended. In 1927, 93 per cent of the freight cars run carried the continuous brake, as compared with an average of 89 per cent in 1926 and 83 per cent in 1925. At the present time the average number of brakesmen per goods train is no greater than in the case of passenger trains. Goods trains with air brakes up to 60 axles and large freight car trains are now being run experimentally with only one brakesman.

Services

Throughout 1927 services were adapted to traffic requirements. There was indeed a pronounced decline in the export of coal from the Ruhr and Upper Silesia by way of the North Sea and Baltic ports at the beginning of 1927. On the other hand large consignments of coal were transported at the beginning of the year from Upper Silesia to Italy via Frankfort-Bâle, and from Upper Silesia and western Czecho-Slovakia to Austria. As a result of the long distances over which the coal was conveyed, the services rendered during the first two months of the year were still considerably higher than in the previous years.

The further decline of coal traffic gradually reduced the higher proportion of services as compared with previous years, while at the same time station work - in particular in the classification yards - increased as a result of larger supplies of cars. This is a sign that traffic within Germany absorbed a larger proportion of services than in the previous year.

Train services for the autumn traffic in October and November corresponded approximately with services in the same months of the busy year 1926, and considerably exceeded those of 1925. The amount of shunting in the classification yards and the number of cars supplied were respectively

about 5 and 15 per cent greater than in 1926. In spite of the heavy traffic it was possible to observe the Sunday holiday in goods traffic during the autumn months: a proof that the Company has succeeded in adapting services to the heavier demands of traffic.

Despite the greater volume of work throughout the year the re-organisation of shunting in the classification yards was continued. Very satisfactory results were achieved locally, generally as a result of the minute study of operating methods: for example the capacity of the classification yard Dresden-Friedrichstadt was increased by about 25 per cent by means of re-organisation, without any appreciable expenditure and even without any considerable reduction of staff. This successful achievement was particularly valuable in dealing with the pronounced growth of traffic in Saxony. An important step forward has been realised in the systematic composition of trains, which is of such great importance in the general organisation of goods traffic, by establishing uniform regulations in respect of the composition of trains for all classification yards. These furnish a clear insight into the possibilities of train composition as between the various classification yards. With due regard to seasonal fluctuations in the supply of cars and the most economic methods of transport, the uniform regulations render it possible to an increasing extent to make up long train sections and thus to avoid shunting on the journey.

Motor Transport

The utilisation of motor vehicles for the conveyance of passengers and goods has increased still further during the past year. The number of motor services, which were originally established under the agreement

concluded with the Kraftverkehr Deutschland G.m.b.H. on March 29, 1924, has been increased. In order to test the effectiveness of co-operation between rail and motor transport, it is proposed to experiment with a large scale introduction of motor services in specially suited districts in collaboration with the Kraftverkehr Deutschland G.m.b.H. The adoption of further measures will depend on the results of the experiment.

Air transport

The efforts of the German Railway Company to co-operate with the Deutsche Luft Hansa A.G. have met with success. Since October 1, 1927, a joint air and rail service has been instituted and is run by the German Railway Company and the Deutsche Luft Hansa A.G. The service covers the entire German Railway system and the regular lines both at home and abroad, served by the Luft Hansa.

The new arrangement makes it possible to consign goods on a single bill of lading to and from all express goods despatching stations of the German Railway Company and also to and from all German and foreign air stations served by the Luft Hansa.

Goods are conveyed on the railway as express goods. The contract is concluded by a single document, i.e. an international air bill of lading. Liability for loss, damage and delay is regulated according to the terms of transport of the Luft Hansa. All goods admitted to the Reichsbahn express goods traffic are accepted for air transport, subject of course to a restricted quantity.

B. PASSENGER TRAFFIC

Passenger traffic in 1927 showed an improvement over 1926 as regards receipts, the number of persons conveyed and the number of

kilometers travelled per head: receipts increased by 4.55 per cent, the number of passengers by 5.5 per cent and the number of passenger-kilometers by 6.1 per cent. The above figures show that traffic increased to a greater extent than receipts from the same - a fact which points to further defections in favour of cheaper trains and classes, and must be attributed to increased traffic at reduced tariffs. These tendencies are revealed by the percentages shown in the following tables:

Percentage of total passenger traffic carried by the various classes

	Receipts			Passengers transported			Passenger-kilometers		
	1913	1926	1927	1913	1926	1927	1913	1926	1927
1st Class	2.88	1.45	1.56	0.13	0.04	0.04	0.90	0.40	0.44
2nd "	17.15	12.45	11.97	7.59	4.91	4.49	10.09	6.54	6.09
3rd "	45.10	38.15	36.61	41.99	32.99	31.52	44.30	33.58	31.56
4th "	34.87	47.95	49.86	50.29	62.06	63.95	44.71	59.48	61.91

Percentage of general traffic carried by the various classes

i.e. not including urban and suburban traffic in Berlin and Hamburg.

	Receipts			Passengers transported			Passenger-kilometers		
	1913	1926	1927	1913	1926	1927	1913	1926	1927
1st Class	3.05	1.55	1.66	0.15	0.05	0.05	1.03	0.45	0.49
2nd "	16.45	11.81	11.39	4.28	1.38	1.24	9.14	5.28	5.00
3rd "	44.25	35.55	33.95	36.12	16.88	15.29	40.54	26.93	25.16
4th "	36.25	51.09	53.00	59.45	81.69	83.42	49.29	67.34	69.35

The above table shows that in the general traffic the upholstered classes were used in 1913 by 4.43 per cent, in 1926 by 1.43 per cent and in

1927 by 1.29 per cent of the total number of passengers transported.

The proportion of traffic at reduced tariffs as compared with the total traffic has increased from 1913 to 1927 as follows: receipts from 13 per cent to 21.22 per cent; passengers transported from 50.63 per cent to 52.31 per cent; passenger-kilometers from 24.10 per cent to 38.71 per cent. Receipts per passenger-kilometer work out at 3.03 Rpf as compared with 3.08 Rpf in 1926. The ever-growing importance of motor transport undoubtedly had an unfavourable effect on the passenger traffic.

Economic demands and the further extension of the international time-table resulted in a small increase in the number of passenger trains on May 15, 1927, so that the 366 million train-kilometers run in 1927 exceed the 1926 totals by 6 per cent but still fall short of the 1913 total by 13 per cent. The higher number of train-kilometers naturally resulted in a higher number of axle-kilometers. The percentage of seats occupied in 1927 works out at 30.6 per cent as compared with 30.1 per cent in 1926, showing that the endeavour to adapt the size of trains to the volume of traffic has met with success.

The receipts per train-kilometer in 1927 work out at RM 3.77 as compared with RM 3.82 in 1926 and RM 2.15 in 1913, whereas receipts per axle-kilometer of passenger-trains work out at RM 0.14 both in 1927 and 1926, and at RM 0.09 in 1913.

The average transportation distance of 23.86 km in 1927 is slightly higher than that of 23.59 km in the preceding year. The distance travelled by 4th class has increased still further and for the same reasons as in 1926: 20.64 km in 1913, 22.61 km in 1926 and 23.10 km in 1927.

In the long distance traffic the following new services deserve special mention:

A new day-express in both directions between Paris and Munich with connections to and from Vienna (D 31/44); a new day-express D 67/68 Nuremberg-Frankfort (Main); an express service Oberhausen-Berlin via Munster through the connection of trains D 173/174 (Holland-Berlin) with the new trains D 237/238 Oberhausen-Osnabrück; new and very good services between Berlin and Bâle by continuing the trains FD 6/5 Berlin-Frankfort (Main) to Heidelberg to connect with the trains FD 164/163 Holland-Bâle, as well as between Holland and Bremen-Hamburg by the introduction of a branch service FD 211/212 Osnabrück-Hamburg connecting with trains FD 111/112 Holland-Berlin.

Reference must further be made to the deflection of D 51/52 Berlin-Insterburg via Posen-Thorn, as well as to the introduction of connecting trains exempt from passport inspection run by the Polish State railway between Danzig and Marienberg to connect with the Berlin-East Prussian express trains D 1/2 and D 3/4.

The opening of the line Klanxbüll-Westerland has made it possible to run the Berlin-Hamburg trains D 4 and 7 right through to Westerland, and in addition special seaside excursion trains have been run between Hamburg and Westerland.

Further improvements were effected in the speed of trains, in particular express trains.

In addition to the regular trains and to a large number of Sunday and week-end trains, 539 special holiday excursion trains were run in the summer of 1927, carrying an average of 700 persons.

On May 15, 1927 the Railway Company introduced the 1-24 hour system which is now used by all railway companies on the Continent.

When the new time-table was introduced on May 15, 1927, the Reichsbahn Administration Berlin issued a new official time-table for central and western Germany, which has met with approval from the public. Further, acting on a decision adopted at the European time-table conference, a series of time-tables showing travel facilities through Germany were issued on placards to be hung on the principal stations in foreign countries.

C. GENERAL

1. Locomotives

It was found possible to increase the average capacity of locomotives between two general repairs to 82,000 km, that is to say by 12 per cent more than in the previous year. The distance covered in hauling and shunting increased by 6 per cent as compared with the previous year as a result of greater traffic and better loading of trains throughout the year. Some reduction was effected in other uneconomic services.

The number of steam locomotives under repair averaged 16.6 per cent for the year, being somewhat less than in 1926. In calculating the number under repair, locomotives placed on the waiting list for repair (roughly 1,600 at the end of the business year most of which are to be cast off) were not taken into account.

The total number of steam locomotives has been reduced by approximately 1,150 during the business year by the retirement of superannuated and uneconomic engines. The number of locomotives retired from service was roughly 3,500 at the end of the year, of which roughly 1,900 were fit for service.

The fuel consumption of steam locomotives per 1,000 locomotive-km worked out at 12.92 tons as compared with 12.80 tons in 1926 and 12.48 tons

in 1913. Calculated on the basis of gross ton-kilometers the fuel consumption has declined by 2.4 per cent as compared with 1926 and 17.1 per cent as compared with 1913. The system of fuel economy bonuses for locomotive staff was extended and improved.

In order to improve services on lines carrying little traffic additional accumulator and conbustion motor coaches were put into service in 1927.

2. Electrified traffic

In operation.

At the end of 1927, 1116 km of long distance lines and 112 km of urban and suburban lines were electrically operated. Both categories taken together are equivalent to 2.3 per cent of the total track comprised in the Reichsbahn system.

During 1927, 201 km of long distance electrically operated track were added to the system: viz. the lines Munich-Rosenheim-Kufstein, Neufahrn-Regensburg, Munich-Mannhofen and shorter goods train lines in the neighbourhood of Munich. There were also added 21 km of urban and suburban lines: viz. Schönholz-Reinickendorf-Velten, being the third of the three northern suburban lines in Berlin.

Under construction.

At the beginning of 1927, 389 km of long distance and suburban track were being reconstructed for electric traction.

Work was commenced on the electrification of the long distance lines Rosenheim-Freilassing (Bavaria, 81 km), Munich-Mannhofen (31 km now completed), Lauban-Kohlfurt and Lauban-Marklissa (in Silesia, 32 km).

In the Berlin area of electrification the 5 km branch line Jungfernheide-Siemensstadt-Gartenfeld, constructed as a branch of the Nordring, was added to the system.

At the end of 1927 electric traction was still being installed on 325 km of long distance and suburban track. This includes the 48 km line between Breslau and Königszelt, which was practically completed except for some details on the contact rail, and the Berlin Stadt- und Ringbahn together with the branch suburban lines to a total length of 155 km.

Steady progress was made with the transformation of the Berlin Stadt- und Ringbahn and its branch suburban lines. There were under construction 11 big continuous current generating stations and 31 small generating stations. The high tension cable system covering a length of 350 km was completely laid with the exception of a few small stretches, and the greater part of the 435 km of conductor rail was installed. 341 motor coaches and 328 trailers were under construction and in addition 40 motor coaches and 40 trailers for the already electrified northern suburban lines.

Current

The current supply of the electrified system was extended. The continuous current generating stations at Tegel and Hennigsdorf were put into service for the operation of the Berlin suburban line Schönholz-Reinickendorf-Velten. In Bavaria the 110 kilovolt long distance line from the sub-station Landshut to Burgweinting was constructed and put into service. The 110 kilovolt long distance line from the Walchensee power station to the sub-station at Rosenheim was practically completed. Work was begun on the long distance line Rosenheim-Traunstein. In Silesia work was begun on the construction of the 80 kilovolt long distance line

from the sub-station Nieder Salzbrunn to Breslau for the operation of the line Breslau-Königszelt, and was about half way completed by the end of the year.

Rolling Stock

Orders were placed for the construction of 90 electric locomotives in order to cope with additional traffic on the electrified lines in Silesia and Central Germany, and for the extension of the electrified system in Bavaria.

The alternating current electric motor coaches, which have been in use on the Bavarian system for a considerable time, have proved satisfactory. During the past business year orders were placed for 20 more of these motor coaches together with 31 steering cars, which are primarily intended for local traffic round Munich.

The first of the continuous current motor coaches and trailers ordered for the Berlin and suburban lines (749 cars in all) was delivered towards the end of 1927 to the Reichsbahn repair shop Berlin-Niederschöneweide for equipment with the electrical apparatus.

3. Interruption of Traffic

The year 1927 passed for the Reichsbahn practically without any important interruption of traffic. The only extensive interruption - which was however purely local and without far-reaching effects - was that resulting from the destruction of the branch lines leading from Heidenau (near Dresden) up the valleys of the eastern Erzgebirge. As the result of torrential floods in the night from July 8 to 9 the narrow gauge tracks leading to Gottleuba, Gross-Cotta and Altenberg were largely destroyed or severely damaged throughout. While the extensive work of

repair was carried out, traffic requirements in those districts which could not be reached by rail had to be met by motor services supplied by the Railway Company. Since December 1, after much difficult work, services have been resumed on all the railway lines.

4. Accidents

The constant improvement effected in the operating safety of the railway since the end of the war was carried still further in the year under review, as is shown by the voluminous statistics of such accidents as occurred.

In 1927 the Railway Company realised 43 milliards gross ton-kilometers more than in 1913 within the present territory of the Reich, and at the same time there were in almost every respect fewer accidents per one milliard gross ton-kilometers than in 1913.

The number of accidents per one million train-kilometers also shows an improvement in the operating safety. This method of calculation does not however take sufficient account of the increased traffic achieved on fewer train-kilometers as the result of longer and heavier trains.

In 1927 the Reichsbahn was spared accidents of so disastrous a nature as occurred in 1926. The more serious accidents of the year entailed only a few cases of death or severe injury. By far the greater part of the travellers notified as "injured" were only suffering from slight bumps, bruises or shocks.

The total number of persons injured was not only 241 less than in the previous year but - calculated according to the amount of traffic - was roughly 18 per cent less than in 1913.

The improvement is confined exclusively to passengers injured in railway accidents through no fault of their own; whereas the number of passengers injured through their own fault (viz. on the journey, through getting in and out of trains which were not at a standstill, or through carelessness on platforms) exceeded that of the previous year despite warnings issued in the press and on the station, although the increase in the number of accidents has not kept pace with the increase of traffic. It must however be pointed out that in 1927 nearly double the number of passengers were injured through their own fault as compared with 1913.

The total number of statistically recorded accidents, which was the same in 1926 as in 1913, was lower in 1927 as compared with 1913 calculated according to the volume of traffic, although there was actually a small increase as compared with 1926. This latter increase is mainly due to the fact that personal accidents to persons who were strangers to the railway and to the Company's servants who failed to observe the necessary precautions have become more numerous.

On the other hand the number of train accidents (derailments and collisions) corresponds to that of 1926 and to the pre-war proportion as compared with the volume of traffic, despite the considerable increase in passenger and goods traffic.

As regards accidents to the Company's servants, their number despite a small increase as compared with 1926 is still 105 below that of 1913, and also shows an appreciable improvement over 1913 in relation to the volume of traffic.

The following facts deserve mention in respect of the causes of accidents.

In the case of derailments, which show a total decrease of 32, the number of accidents caused by force majeure or by malicious acts of third persons decreased to 26 as compared with 37 in the previous year; 24 such accidents were recorded in 1925. Only 3 accidents were due to crimes, but they resulted in only insignificant material damage by contrast with 1926 when the Leiferde crime cost a large number of persons their life or their health.

Derailments caused by service mistakes declined to 145 as compared with 151 in the previous year, despite increased traffic.

The repair of damage to the permanent way and rolling stock caused by the war, the post-war confusion, the seizure of the Rhine-Ruhr Railways, etc., which was continued at great expense during the year under review, has arrested the derailment of trains caused in previous years by the aforesaid damage. It is to be hoped that our efforts in this direction will soon result in a decrease of such accidents.

As regards derailments due to other causes, which show a considerable decline by comparison with 1926, it should be mentioned that a number of them (including some with serious results) were caused by defective loading, in particular of heavy articles and parts of machinery which were not loaded or fastened in a manner capable of withstanding the jolts caused by shunting etc.

The number of collisions has somewhat increased. This is largely due to mistakes in driving or shunting.

The number of cases of failure to halt when signals were at danger has also increased by comparison with 1926. Accordingly the Management has continued its previous efforts towards the discovery of technical appliances for the prevention of over-running, on a large scale

and at considerable expense. During the year under review additional and promising experiments were carried out.

Collisions with vehicles have increased considerably, corresponding with the general increase of accidents on the highways as a result of greater motor traffic. As in previous years, only 20 per cent of the accidents can be attributed to the Company's servants, whereas 67 per cent are due to negligence on the part of drivers of such vehicles while 13 per cent were due to other causes. In the case of motor vehicles the proportion is 17 per cent for the Company's servants and 9 per cent "other causes", whereas 74 per cent of the accidents were due to the fault of drivers who either broke through the closed barriers or failed to notice the warnings at level crossings and the warning signals of the train. This development is the natural consequence of the large increase of motor vehicles in Germany, the number of which rose from roughly 572,000 in 1926 to 724,000 in 1927.

The number of collisions with motor vehicles increased by 56 per cent as compared with 1926, while their relative proportion to the total number of collisions rose from 38 per cent in 1926 to 46 per cent in 1927.

A comparison with the accident statistics of other European railways and with the United States railways - where such statistics are available or are even capable of comparison - yields results favourable to the Reichsbahn. For instance the number of derailments and collisions per one million train kilometers in Italy and the United States is much greater than in Germany, to judge by the latest available statistics. (The other statistics do not allow of comparison). As regards the number of passengers killed per one million passengers transported, the Reichsbahn occupied a better place in 1927 than Great Britain, France, Italy, Poland,

Czecho-Slovakia and the United States, according to the latest statistics. Only Belgium yields more favourable figures, but the latest data available for this country are those of 1924.

II. TARIFFS

A. GOODS AND LIVESTOCK TARIFFS

1. German Traffic

a. Normal tariffs

The new regulations for normal goods tariffs - the result of the enquiry begun at the end of 1924 - were completed and the Company abandoned its previous decision that exceptions should not be granted.

In accordance with the proposals of the Standing Committee on Tariffs, which was in favour of the retention of graduated tariffs, the following changes in the normal goods tariff were introduced as from August 1, 1927. Freight rates of category A were reduced by 5 per cent, those of categories B and C by 7 per cent and those of category D by 2 per cent. In addition the consignment charge for categories B and C was reduced by roughly 10 per cent.

These measures involve a retrenchment in the former horizontal grading (i.e. a reduction of differences between categories) and to a certain extent also facilitate competition with motor transport and collective consignments by forwarding agents. They are also intended to prevent goods reverting from higher categories to lower categories.

The very great difference previously existing between categories D and E (roughly 36 per cent) rendered a revision of these tariffs extremely questionable both on financial grounds and because of the danger of

displacements due to competition. For this reason a new category was inserted between categories D and E.

The inequalities arising from the fact that in periods of economic depression goods which cannot be rated under the principal categories (which are confined to consignments of 15 tons and upwards) owing to lack of demand or to their bulkiness and which are therefore rated under the secondary categories, have been abolished by a reduction in the rates for 10-ton consignments ranging from 11 to 4 per cent.

The urgent demands of the business world for a reduction of rates over short distances were met by grading the consignment charges for categories A to E for distances from 1 to 101 km. There were however important objections to such a reduction, as the consignment charge is designed to cover the services of the railway before and after transportation, such services being independent of the distance covered in transportation, and for the further reason that the total overhead charges of the railway are appreciably greater for short distances than for long distances. The reductions effected in grading the consignment charges vary according to category and distance. Taken together with the reduction of freight rates in the higher categories the general reduction of rates works out at anything up to 30 per cent.

Finally freight rates for consignments of fast goods under category I e and for express goods were considerably reduced as the rates were calculated on the basis of tariff categories A to D and their secondary categories, instead of on the rates of categories A, A 10 and A 5 for twice or three times the actual weight.

The loss of income resulting from these measures and their reaction on special tariffs and livestock tariffs may be estimated on an average

volume of traffic at not less than RM 75 millions per annum.

The following changes in the classification of goods requires special mention:

1. Inclusion in category B:
   a) Railway Rolling Stock as follows:
      1. Locomotives and Tenders
      2. Motor Coaches
      3. Passenger and Postal Cars
      4. Crane Cars
      5. Under Carriages, travelling, in so far as they are not enumerated in category C;
   b) road (country) vehicles:
      1. motor tractors together with equipment and tools belonging thereto provided that they are consigned simultaneously,
      2. road locomotives;
   c) car bodies pertaining to railway rolling stock enumerated under a) where not enumerated in category E;
   d) fine marinades, simultaneously included in the reduced fast freight category.
2. Inclusion in category C:
   briquette troughs, chutes employed in the mining industry.
3. Revision of the calculation of rates for wooden wares by the amalgamation of the former tariff items "timber" and "wooden wares" in a single item "timber and wooden wares". The new regulations under this heading comprise various reductions of rates together with some very slight increases.

Mention must be made of an important change in the general tariff regulations in the form of a new version of § 40.

The calculation of rates for goods loaded on bogie cars or coupled pairs of cars has been modified by allowing a pair of cars to count as a single car. In the case of log wood, and in particular timber for sawing, this entails a considerable cheapening of freightage.

b) Special tariffs

1. Special through-transit tariffs in competition with foreign routes.

The necessity of enabling the German railways to participate in the international exchange of goods to the extent which Germany's geographical position and the capacity of the German Railway Company demand, in general made it essential to pursue the well-tried policy of transit and competitive tariffs hitherto observed.

In many cases it was necessary to extend the existing transit tariff to include new commodities or to change prevailing freight rates. In some cases also new transit tariffs had to be introduced.

The transport charges of foreign transport undertakings and currency fluctuations abroad were partly responsible for the repeated adaptation of transit tariffs to prevailing competition.

For instance transit tariffs for timber had to be amended in April and some even had to be amended a second time in August.

The special seaport transit tariffs SD 2 and 5 to and from Switzerland and Poland were adapted to meet competitive tariffs on foreign goods by the reorganisation and extension of the lists of commodities. Similarly special tariff 12 was modified in the German-Swedish-Norwegian tariff for transit traffic between Sweden-Norway and Holland-Belgium via Germany.

The special transit tariff SD 3 for timber under German tariff categories D and E - which is confined to consignments over and above a fairly high minimum and applies from German-Austrian frontier stations to German seaport stations - was revised and adapted as far as possible to meet competitive tariffs on other routes, as the previous tariff had lost its attraction as the result of tariff revisions on the part of the competing transport undertakings.

Special transit tariff SD 4 applying from German-Austrian frontier stations and trans-shipment stations on the German Danube to German seaport stations, and SD 6 applying from German-Czechoslovakian frontier stations to German seaport stations were constantly extended to meet traffic requirements and were adapted wherever possible to prevailing competitive tariffs.

2. Special seaport tariffs.

During the business year under review the Reichsbahn continued the policy initiated with the introduction of a large number of special seaport tariffs calculated to assist German industry in the import of raw materials and the sale of its products, and to promote traffic via the German seaports in competition with other routes via foreign seaports.

The following new special seaport tariffs were introduced:

A.T.145 for acetic acid; A.T.162 for iron plates, wire, rails, steel and section iron, and pipes from Upper Silesia; A.T.163 for caustic potash and other potash; A.T.164 for merry-go-rounds; A.T.156 for sulphate of copper, and lime powder; A.T.165 for graphite melting pots (this tariff also applies to exports across the land frontiers); in addition to promote traffic via the German seaports in competition with foreign ports, special seaport import tariffs A.T.143 for oranges, tangerines and lemons to the Rhineland and Westphalia; A.T.144 for vegetable fats and oils to Stolberg (Rhineland) and A.T.155 for cryolite were created.

A new feature of goods traffic was the large import requirements of the German fertiliser industry of phosphates, pyrites, etc. for the manufacture of a new fertiliser. In order to ensure a share in this new traffic to the Reichsbahn, seaport import tariff A.T.157 was introduced.

The existing special seaport tariffs were in part reduced still further to meet the requirements of industry and competition. In this connection important changes were made: the rates for skins and hides as graded from category A to category B, and again the rates for iron and steel wares as graded from category A to category B or C, were made to come under seaport tariffs 38 for skins and hides and 35 for iron and steel etc. respectively. Extension of the latter special tariff to include pig-iron, raw steel and semi-manufactured articles of category E. Further reduction of the seaport import tariffs 30 for jute to the Rhineland and Westphalia, 31 for cotton to Northern Bavaria and Silesia, and 48 for rice to Northern Bavaria. Extension of the seaport export tariff 53 (which previously only applied from Western to Southern Germany) for yarns and tissues from Bavaria, Saxony, Central and Eastern Germany. Extension of the 20 per cent reduction on seaport export tariffs 49 and 61 for glass and earthenware goods to include exports of the same goods via the land frontiers. Adaption of the majority of seaport tariffs for traffic to and from districts exposed to competition from foreign transport undertakings in conformity with the changed situation resulting from the general reduction of normal tariffs on August 1, 1927.

In addition all seaport export tariffs were extended to include consignments of fast goods in order to facilitate the despatch of such goods via the seaports in accordance with the needs of industry.

3. Inland trans-shipment tariffs

The inland trans-shipment tariffs, a considerable number of which were introduced during the last few years to promote combined transport on the Reichsbahn and the inland waterways, were further increased and extended

in 1927 where economic reasons warranted such measures and the financial position of the Railway Company allowed of such action.

New trans-shipment tariffs were instituted in the form of special tariffs for logs and cut timber from Southern Germany to trans-shipment stations on the Rhine, Main and Neckar, and a special tariff for maize (corn) from the Bavarian Danube trans-shipment stations to Southern Germany. Further reductions and extensions were effected in the trans-shipment tariffs for coal etc. from the Rhine and Main ports to Southern Germany; for goods of categories A - D, for mineral oils and cereals to the Swiss frontier; for cereals to the mills in Upper Baden; for lime borate, borax, sodium salt, etc, to South Baden; and for sugar from the German-Czech frontier to trans-shipment stations on the Oder. The general reduced tariff for all categories introduced last year and the special tariff for goods trans-shipped from the Danube via Passau, Regensburg and Deggendorf was extended and in part still further reduced.

4. Other special tariffs

Fuel

The general special tariff 6 on coal was reduced as follows: for distances from 1 to 6, 9 and 12 km by 2 Rpf per 100 kg, and by 1 Rpf for the remaining distances up to 17, 19, 20, 22, 25 and 39 km.

This reduction was necessary as otherwise the freight rates of normal category E as reduced on August 1, 1927 would have been lower than the general special tariff for coal.

The coal trans-shipment tariff 6 u for the Rhine and Main was reduced, and further reductions of from 1 to 6 Rpf per 100 kg were introduced on August 1, 1927 in the station freight rates from Mannheim and Ludwigshafen

to stations in the south of Baden and Wurtemberg.

The following new special tariffs were introduced:

on February 1, 1927: A.T.61 for lignite (including briquettes and and coke) for minimum consignments of 219,700 tons a month from the lignite fields on the left bank of the Rhine, and in Central and Eastern Germany to the coastal districts of the North Sea and Baltic; reductions in freight rates up to 20 per cent;

on February 24, 1927: A.T. for coal (including briquettes and coke) from the Ruhr and Aachen coalfields for export to Italy for minimum consignments of 30,000 to 45,000 tons a month; reductions in freight rates up to 12½ per cent;

on June 18, 1927: A.T.6 m for raw lignite from Brieske and Gross-Räschen to Eisenspalterei for minimum consignments of 40,000 tons in twelve months; 20 per cent reduction in freight rates;

on September 1, 1927; A.T.6 m for lignite and lignite briquettes from the lignite field on the left bank of the Rhine to Bâle and Waldshut for export to Switzerland, for minimum consignments of 6,000 tons a month; reduction in freight rates up to 12 per cent;

on November 4, 1927: A.T. for coal-coke from stations in the Ruhr to the Austrian stations Donawitz and Eisenerz via Salsburg for minimum consignments of 240,000 tons per annum; 10 per cent reduction in freight rates. (The special rates for coke are only applied if not less than 120,000 tons of ore are transported annually in the opposite direction, i.e. from Eisenerz to the Ruhr.)

Other Goods

The emergency tariff on certain specified foodstuffs was changed. In conjunction with the revision of normal tariffs introduced on August 1 the emergency tariff only applies as from that date (with

liability to cancellation) to cheese, cereals and pulses, mill products of category C, fresh agricultural and horticultural produce of categories C and E, oil fruits and seeds, fresh swedes, turnips and carrots. This tariff is equivalent to a 10 per cent reduction on the freight rates in force on October 1, 1924.

The special tariff 9a for wine first introduced at the end of 1926 was replaced by a new tariff as from September 15, 1927.

The new tariff differs from the old rates mainly in the fact that the distance for which the tariff applies has been raised from 400 km to 450 km, that the rates have been partly reduced, and that reductions are now also granted on parcel consignments whereas formerly they were only granted on minimum consignments of 5,000 kg. The new tariff, which was first of all limited to December 31, 1927, has been prolonged for another year as its maintenance is on the whole still justified.

The following are the more important special tariffs introduced during the year:

on February 28, 1927: A.T.146 for huts and similar erections, new, taken to pieces for export to foreign countries via seaports and land frontiers;

on March 7, 1927: A.T.147 for certain specified vegetable fats and oils for export across the land frontiers;

on March 14, 1927: A.T.11 h for putrified residue of extract of cocoa pods from Mannheim-Waldhof to all stations of the Reichsbahn. The tariff is designed to facilitate consignments of inferior waste products to be utilised for manuring;

on March 24, 1927: A.T.11 i for sulphuric acid for the manufacture of super-phosphate. This tariff facilitates the supply of sulphuric acid to super-phosphate firms which are obliged to obtain their supply of acid from firms at a distance;

on April 4, 1927: A.T.150 for wares made of pounce and pumice-stone from Rhineland stations for export across the land frontiers;

on April 28, 1927: A.T.153 for raw beet sugar from the Central and North German raw sugar despatching stations to Frankenthal central station;

on June 30, 1927: A.T.1 n for raw wood wares for the manufacture of toys; this tariff applies to consignments by certain routes and is designed to assist the depressed toy industry;

on July 1, 1927: A.T.11 k for lime for the manufacture of fertilisers from Niedersachswerfen to Kötzschen;

on July 4, 1927:

a) A.T.159 for paper, cardboard, wood-pulp, cellulose, semi-manufactured rag-pulp and straw-pulp;

b) A.T.160 for flat glass and hollow glass wares;

c) A.T.161 for earthenware goods.

These tariffs which apply from the aforementioned manufacturing stations to all frontier stations and crossings of the land frontiers, serve to encourage the export of the above-mentioned goods, which have shown a very pronounced decline;

on August 8, 1927: A.T.11 l for chemically neutralised, biologically prepared compost peat from Etelsen to all Reichsbahn stations. The tariff is to promote the utilisation of a new fertiliser;

on August 15, 1927: A.T.21 for raw yarns of all kinds and for cotton tissues from Bavarian stations to Silesian textile finishing industries, with a freight reduction of from 3 to 22 per cent as compared with the regular freight rates. The object of this tariff is to alleviate the depression of the Silesian textile industry;

on September 15, 1927: A.T.14 d as the result of the manufacture of synthetic benzine by the I.G. Farbenindustrie in Corbetha, Kötzschen and Ludwigshafen (Rhine). The tariff applies to

consignments of this new commodity from the manufacturing centres to the principal consuming and distributing centres;

Tariff A.T.14a for lignite benzine, which was already in existence, was also revised in connection with the special terms granted for synthetic benzine on September 15 on the basis of the tariff fixed for synthetic benzine under category D;

on September 22, 1927: A.T. 1 o for log timber, timber for pulping and for pit props from Southern Poland to Saxon stations; this tariff applied from the frontier station of Sosnitza in competition with the Czecho-Slovakian route;

on September 29, 1927: A.T.16 d to promote the sale of fresh cabbage (vegetable) from the province of Schleswig-Holstein in the Rhenish-Westphalian consuming district;

on October 1, 1927: A.T.16S for certain specified wooden wares (furniture, vats, staves, etc) to the seaports, the land frontiers of the Reich and the Reichsbahn stations situated outside Germany. The tariff provides compensation for other preferential treatment abandoned in respect of exports of the aforesaid goods;

on November 1, 1927: A.T.1 p for log timber of category D to and from the stations under the Reichsbahn administration at Königsberg to assist the depressed East Prussian timber sawing industry. The tariff is granted on condition that the said timber is consigned to stations under the Reichsbahn Administration Berlin by rail;

on December 26, 1927: A.T.1 r for logs, roll wood, and club-wood of beech, pine and fir from certain Bavarian stations to certain Saxon stations; this tariff competed with transport via Czecho-Slovakia.

The following are the more important changes introduced:

on April 7, 1927: A.T.5 for stones extended to blast furnace slag consigned to tar factories;

on June 30, 1927: A.T.130 for railway rolling stock exported across the land frontiers was extended in order to assist the German car constructing firms, to exports via the western frontier previously excluded from the tariff;

on September 1, 1927: A.T.119 for sugar consigned to Switzerland, Austria and the South of France was abolished;

on October 6, 1927: A.T.18 for iron and steel to East Prussia. The previous reduction was increased for consignments from the stations

a) of group I from 10 to 15 per cent
b) of group II " 15 " 22.5 " "

to assist the East Prussian iron industry;

on November 1, 1927: A.T.20 for shipbuilding iron. Freight rates to the East Prussian shipbuilding yards were reduced on consignments

a) from Upper Silesia by 15 per cent
b) from other German centres by 10 per cent

to assist the East Prussian shipbuilding yards.

Tariff A.T.1 d for timber for sawing and for staves was extended to include traffic to stations under the Reichsbahn Administration Berlin in order to facilitate sales.

Freight rates under tariff A.T.1 c (so-called East Prussian scale) were further reduced to assist East Prussia.

The import tariffs for log timber from the frontier stations of Prostken and Czymochen to the sawmills in northern East Prussia - which are intended to provide compensation for the suspension of shipping at Memel and which were formerly made conditional on the re-export overseas of the timber obtained for sawing - were also extended to log timber transported by rail to German stations outside East Prussia

after preparation for sawing, in order to assist the depressed East Prussian timber industry.

Special tariffs for Livestock

In order to alleviate the serious position of East Prussian horse-breeding a special tariff for horses of category S 1 was introduced temporarily as from January 1, 1927 for traffic between Reichsbahn stations in East Prussia (30 per cent reduction) and for traffic between East Prussian Reichsbahn stations and the other stations on the Reichsbahn system (10 per cent reduction).

On December 5, 1927 a new tariff SD 2a was introduced for horses, ponies and mules from America to Italy for transportation from German seaport stations to Bâle.

c) Tariffs fixed in conjunction with other transport undertakings

1. Private and light railways

No fundamental changes were made as compared with 1926 in the relations between the Reichsbahn and the private and light railways in Germany. The compensation granted to the majority of the light railways in respect of the transference of traffic to the Reichsbahn was increased as from October 1, 1927 from 2 Rpf to 3 Rpf per 100 kg in order to give further assistance to the afore-mentioned light railways.

2. Motor traffic

In order to recapture some of the traffic deflected from the railway to motor transport, the special tariffs K 8 to 29 were introduced in 1927 for cereals, paper, stones, raw sugar, skins, hides, tannin extracts, earthenware goods, bricks and tiles, etc.

Tariffs A.T.K. 9 to 11, 16 and 18 for paper and raw beet sugar have in the meantime been abolished again owing to changes in the position with regard to competition.

2. International Traffic

a) Agreement in respect of railway goods traffic.

It was agreed between the Governments of the participating States that the new "international agreement on railway goods traffic (I.Ü.G.) " shall come into force on October 1, 1928.

b) Direct tariffs.

During the year under review volume 2 was issued in respect of the Austro-German goods tariff, thereby providing for an extended traffic area and a direct (through) freight calculation.

Similarly the German-Czech goods tariff was extended by the issue of tariff volume 4 and the introduction of special tariffs 1 (for domestic and industrial salt), 2 (for malt) and 3 (for sand, shingle and gravel), thus augmenting the value of the combined tariff to traffic users.

As regards traffic between Germany and Bulgaria, a tariff was issued on September 1, 1927 providing that freight rates are to be calculated separately for each railway system. So soon as conditions allow, this tariff will be replaced by a new tariff with direct (through) freight rates. Judging by the present position of the negotiations a similar through tariff can shortly be introduced for traffic to Hungary and Roumania.

On May 1, 1927 a direct German-Belgian goods tariff was introduced, which is confined for the time being to car load consignments. The aforesaid tariff will shortly be extended to include parcel consignments.

As from January 1, 1927 a notification tariff was introduced for traffic to Russia in transit through Poland and the territory of the free city of Danzig. Work is proceeding on the extension of the tariff.

The re-consignment tariff for Russian and Lithuanian flax from Königsberg (Prussia) was reduced to meet competition and reissued.

On January 1, 1927 a new goods tariff was introduced for traffic to Poland, which also regulates transit traffic through Austria and Czecho-Slovakia and which will be replaced as soon as possible by a tariff calculating freight rates for the most important goods and lines of communication in advance.

On May 15 a series of special tariffs was introduced in order to facilitate and cheapen the exchange of goods with the Saar territory, viz. for iron and steel, ores, dolomite, fertilisers, timber, stones, clay and earthenware goods.

Freight rates under this tariff have been calculated for the shortest total distance in each case - that is to say including services rendered on the Saar railways - according to the basic rates and unit tariffs in force on the German Railway. This tariff was extended on October 1 to include other goods such as agricultural and horticultural produce, cereals, glass, lime, metals and their waste products, milling products, oil, paper, etc and also coal. On the same date there was a further reduction of freight rates on iron and steel consignments from Saar territory to the trans-shipment centres Ludwigshafen (Rhine), Spires (Speyer) and Worms.

c) Miscellaneous

As regards the abolition of competition between the German North Sea ports and the Adriatic ports, various discussions have taken place in 1927 between the railway Managements concerned. So far however they have not

succeeded in reaching an agreement. The provisional settlement, which expired on December 31, 1927, was prolonged at the end of that year for six months on the assumption that the continuation of the negotiations would ultimately result in a settlement.

In 1927 the following were among the transit tariffs introduced for traffic from foreign countries via Germany to foreign countries:

a) for traffic between Poland and Bulgaria,

b) for traffic between Czecho-Slovakia and Bulgaria.

B. PASSENGER TARIFFS

1. German Passenger Tariffs

While the unit rates in force since May 1, 1925 were retained for the general traffic, viz.

3.3 Rpf in the 4th class
5.0 " " " 3rd "
7.5 " " " 2nd "
10.8 " " " 1st "

including the transport tax, the following changes were introduced in 1927 more especially for the benefit of professional travel and travel on the part of school-children. Mention must first of all be made of the season tickets which are valid for several routes. Since September 1, 1927 the supplement on such tickets is without exception fixed at 10 per cent of the difference between the basic distance (longest route) and the total distance covered by all routes together regardless of the number of optional routes. The supplement may not however exceed 20 per cent of the basic distance. The outcome of this system may be illustrated as follows: in the case of a monthly season ticket from Cologne to Dortmund, for which the longest route measures 129 km while the total length of the optional routes is 556 km, a

distance of only 115 km is now charged for as compared with 268 km under the old system. In addition since September 1, 1927 the prices of season tickets for long distances have been reduced on a graduated scale by 0.5 per cent for every kilometer between 51 and 94 km. This preferential treatment embraces monthly tickets, part monthly tickets, pupils' monthly tickets and workmen's weekly tickets.

A further improvement must be mentioned, namely that pupils' monthly tickets are now issued to apprentices up to 20 years of age as against 18 years formerly.

A considerable reduction of fares was effected on September 1, in Berlin urban and suburban traffic. Fares for the so-called "Eckverkehr" (journeys from Stadt or Ringbahn stations to stations within the first zone of suburban lines within a distance of 7.5 km) were reduced from

category I (2nd class RM 0.30, 3rd class RM 0.20)
to category II (2nd class RM 0.25, 3rd class RM 0.15).

In addition the short distance fares on suburban lines were extended to a distance of 11.62 km as compared with the former distance of 7.5 km, while the zones on the suburban lines from Berlin Lehrter Bahnhof to Nauen and Wustermark are no longer calculated from the Lehrter Bahnhof but from the Ringbahn station Putlitzstrasse, which is 2.63 km further out.

Pupils' monthly tickets for the 2nd class were again introduced for city and suburban traffic in Hamburg-Altona, to meet the demand which had arisen.

The following further tariff changes, which were introduced to increase traffic, deserve special mention:

In the case of party excursion trains with a 33 1/3 per cent reduction, the minimum number of members of such parties was reduced. The number of

whole tickets which have to be taken from the starting point to the destination of the excursion train is as follows:

when travelling 1st class only 120 (formerly 160)
" " 2nd " " 170 (" 230)
" " 3rd " " 250 (" 340)
" " 4th " " 380 (" 500)

In addition the minimum charge for the entire distance covered by the excursion train was reduced from RM 320 to RM 250.

Simultaneously with these new regulations the minimum number of first-class tickets which have to be taken to secure the introduction of salon or sleeping cars or of specially equipped invalid cars, has been reduced from 18 to 12, while the charge for empty running of such cars has been reduced from RM 0.40 per axle and tariff-kilometer to RM 0.20 per tariff-kilometer.

In the case of the small excursion trains, (previously known as excursion trains without reduction of fares) the minimum number of tickets which has to be taken was reduced to

70 whole tickets for the 2nd class (formerly 80)
100 " " " " 3rd " (" 120)
150 " " " " 4th " (" 180)

If the excursion train makes the return journey within 24 hours, only 45 2nd class tickets, or 70 3rd class tickets, or 100 4th class tickets need be taken. At the same time provision was made to allow these excursion trains to be used in exceptional cases on Sunday return tickets.

In view of the growth of the allotment movement, arrangements have been made for the issue of tickets to allotment owners for distances up to 50 km (formerly 40 km).

The use of express trains at reduced fares for scientific and educational excursions, which was previously confined to research parties

under certain conditions, has since August 1, 1927, been permitted to pupils of public schools and private professional schools recognised by the State.

The following new reductions in fares were introduced (experimentally for the time being):

1. Reduced fares for foreign visitors to recognised German commercial fairs, and

2. reduced fares for visitors to recognised commercial fairs abroad.

In both cases the reduction is 25 per cent of the regular fare. This preferential treatment is expected to encourage foreigners to visit German commercial fairs and thereby to promote the sale of German goods to an appreciable extent. The reduction mentioned under No.2 was necessary as there was a risk that the foreign railways would abolish the reduced fares for visits to German commercial fairs on account of lack of reciprocal treatment.

Finally mention must be made of the introduction on May 1, 1927, of new long distance tables for Reichsbahn passenger traffic. These tables cover the entire inter-State traffic between the former Federal State Railways. Accordingly a large number of the German inter-State tariffs could be abolished.

2. International Passenger Tariffs

During the year several special tariffs for large party excursions to foreign countries were issued, in particular between Germany and England via Dutch, Belgian and French seaports; between Germany and Switzerland; between Germany, Austria and Switzerland on the one hand and Italy on the other hand; also between Holland and Switzerland via Cologne. A special

tariff for circular tours through Germany, Austria and Switzerland was also introduced.

New passenger and luggage tariffs came into force for traffic between Denmark, Sweden and Norway on the one hand and Poland and the Free City of Danzig on the other hand; also between Austria and France via southern Germany, Switzerland and Italy.

C. LUGGAGE AND EXPRESS FREIGHT TARIFFS

By supplementing annexes II B and III of part I of the German Railway passenger and luggage tariff it has now been made possible to despatch luggage to and from all suburban stations in Berlin.

The supplement formerly levied on luggage and dogs travelling by express or luxury trains has been abandoned.

On October 1, 1927, a new express goods tariff with different grading of the rates according to distance was introduced. The new tariff reduces the number of grades from 35 to 22; simultaneously a new weight category of 15 kg has been inserted between the 10 and 20 kg categories.

The despatch of express goods has been considerably extended by the introduction of direct express goods tariffs to foreign countries. Tariffs of this kind came into force during 1927 between Germany and Switzerland, and between Germany and Denmark, Sweden and Norway.

D. DEFERRED FREIGHT PAYMENTS

The charge for freight payments deferred one day was reduced as from May 1, 1927 from 1 per mille to 1/2 per mille of the daily amounts owing.

III. FINANCE

A. ECONOMIC DEVELOPMENTS

The general results of the business year 1927 may be regarded as satisfactory. Receipts in the operating account totalled RM 5039.3 millions in round figures, of which traffic receipts yielded 91.40 per cent while other receipts furnished 8.60 per cent. Receipts contributed by passenger and luggage traffic show a decline of 1.69 per cent as compared with 1926, whereas receipts from goods traffic increased by 1.68 per cent.

Expenditure in the operating account for operating, maintenance and renewals reached a total sum of RM 4,158.8 millions in round figures, leaving a surplus of operating receipts of RM 880.5 millions. Expenditure for operating and maintenance represented 82.66 per cent of the total operating expenditure, while renewals represented 17.34 per cent of the same. The ratio of personal expenditure (including wages to workmen engaged on the repair of the permanent way and in the workshops) to material expenditure works out at 61.31 as against 38.69. The ratio of personal expenditure has therefore declined by comparison with the previous year. The increase of personal expenditure was exceeded by the increase of material expenditure due more especially to the urgent necessity for making up arrears of repairs in respect of damage caused by the war and post-war periods.

The operating co-efficient for 1927 works out at 82.53, being somewhat less favourable than the 1926 figure of 81.06; this is due in part to the increase of salaries and wages, and in part to arrears of repairs outstanding from the war and post-war periods.

The operating surplus of RM 880.5 millions (17.47 per cent of the receipts), to which must be added RM 167.7 millions carried forward from

1926, was utilised as follows: service of the reparation bonds RM 590.5 millions; service of the new bonds and loans RM 2.1 millions; to legal reserve (2 per cent of operating receipts) RM 100.8 millions; and to other reserves RM 120 millions. The net profit remaining, including the balance carried forward from 1926, totals RM 234.8 millions. In virtue of the decision of the Board RM 61.6 millions are to be devoted to payment of the 7 per cent preference dividend on the preference shares already issued. The balance of RM 173.2 millions will be carried forward to the next financial year. The receipts have therefore been divided as follows: reparation payments 11.72 per cent, legal reserve 2.00 per cent, preference dividend 1.22 per cent, other reserves 2.38 per cent, carried forward to the new financial year 3.44 per cent.

The legal reserve now totals RM 305 millions as compared with the maximum of RM 500 millions prescribed in the railway law.

The increase of traffic which set in during the business year 1926 as a result of the British coal stoppage, continued in 1927. Passenger traffic recovered, although slowly, from the severe depression which set in at the end of 1925. The returns improved especially during the summer months. Although receipts from passenger and baggage traffic have not yet reached the 1925 figures, they nevertheless show an increase of 4.5 per cent as compared with 1926. The goods traffic continued to yield increased returns. Despite the considerable reduction of tariffs accorded during the year, the yield from goods traffic showed an increase of 14 per cent by comparison with 1926. Other receipts yielded 11 per cent more than in 1926. Altogether the total increase of receipts as compared with the previous year works out at RM 500 millions in round figures. It was therefore possible - despite the heavy increase of expenditure - not only to meet all the

obligations of the German Railway Company in full, but also to obtain a net profit the greater part of which was carried forward to the new financial year.

Personal expenditure rose as the result of considerable increases in salaries and wages which came into force during the year. The full effects of the increase were not however felt, as in the majority of cases the rise of wages etc. only became effective towards the end of the year. Special mention must here be made of the increase of officials' housing allowances in April and October 1927 necessitated by higher rents, the revision of salaries as from October 1, 1927, the increase of workmen's wages in March 1927 and the revision of local wage supplements in December 1927. In addition there was a further increase of social charges for health insurance, pensions, etc. Altogether the raising of wages and salaries in 1927 called for an additional expenditure of roughly RM 390 millions for the year. On the other hand it was found possible to reduce staff by roughly 3,600 persons.

The average salary of officials has risen from M. 2,110 in 1913 to RM 3,406 in 1927, making the index figure of the cost per head 161.42. The average wage of workmen has risen from M. 1,267 in 1913 to RM 2,134 in 1927, making the index figure of the cost per head 168.43. The index figure for workmen's wages calculated per working hour works out at 185.71. The index figure for the total personal expenditure per head of the staff (including cost of travel, supplements, relief payments, pensions, etc) worked out at 190.30, being largely the result of the pronounced increase in the pensions charge and in expenditure on social insurance.

As regards material expenditure, the steady improvement of receipts has allowed of the extension of the original programme of constructional

work and purchases. Special attention was paid to the necessity for repairing the damage incurred during the war and post-war periods to plant and installations to the utmost possible extent. Nevertheless there still remain very great arrears to be made up. The Company has fully complied with its obligations to maintain the property of the German Railway system. It has also embarked on an important programme of rolling stock purchases and consequently had a car park at its disposal which proved adequate to meet the heavy demands of the autumn traffic.

Further funds were made available in respect of expenditure on the extension of plant (on capital account) but without abandoning the careful policy constantly pursued during the last few years. When drawing up the estimates provision was made for financing the aforesaid expenditure by means of the sale of a considerable quantity of preference shares. The Company's financial position appeared to justify the postponement of an appeal to the money market until the autumn. When the time came however, difficulties on the internal market and the obstacles arising out of reparation policy rendered borrowing impossible. It was therefore necessary to have recourse to the reserves and profits carried forward from 1926 as well as to the surpluses of the current year in order to finance the expenditure on the extension of plant, and consequently at the end of the year the Company's liquid funds were considerably reduced. Constructional activity, which was chiefly confined to the continuation of work already begun, had therefore to be restricted towards the end of the year. Expenditure on electrification was considerably augmented by the cost of electrifying the Berlin and suburban lines. The balance sheet for 1927 shows the sum of RM 348.5 millions as intended for the total extension of plant through the development and improvement of the Company's property. A further sum of RM 70 millions was met out of reserves set aside in 1926 for the programme for

providing employment.

Despite the increase of receipts and despite the fact that Germany's economic position is still satisfactory, the position of the Company at the close of the business year and the prospects of future development call for a cautious estimate. The legal reparation charge increases by RM 70 millions in 1928; to this must be added the considerable additional charges in respect of personal expenditure. Altogether expenditure may be expected to increase from 1927 to 1928 by roughly RM 450 millions divided as follows:

	million RM.
Personal expenditure	300
Reparation charge	70
Preference dividend, discount, etc.	80

Moreover the question as to the possibility of further borrowing remains unsettled.

In view of the above position an attempt has first of all been made to restore the financial balance and prevent a further reduction of the liquid funds by considerably restricting material expenditure. But in the long run such a state of affairs - which results in inadequate maintenance and renewal of plant - cannot be allowed to continue and the Company will have to endeavour to increase receipts by raising tariffs, if it is to fulfil its duty to ensure adequate and safe services.

The unsatisfactory relation of expenditure to income is best revealed by the following index figures:

following the revision of salaries and the further increase of workmen's wages in March 1928, the index figure of the cost per head as compared with 1913 works out as follows:

per head of the officials	183
per working hour	200

for the total personal expenditure (including pensions, relief, etc)..... 214

the index figure for the cost of materials in the case of supplies etc. required by the Reichsbahn is 156

On the other hand the index figures of income are as follows:

per passenger-kilometer 123

per goods tariff ton-kilometer 132

No preference shares were sold during 1927. For this reason there are still, as at the end of 1926, GM 1,119 millions of unsold preference shares as against GM 881 millions of preference shares already sold.

Great attention contimued to be paid to cash holdings and to the administration of the same by the Banks. In addition to financing the deferred freight payment system the Deutsche Verkehrs- Kreditbank A.G., which is closely bound up with the German Railway Company, has to administer the cash holdings of the Company in accordance with the instructions and under the supervision of the Board and the General Management. An agreement was concluded with the Reichsbank in virtue of which part of the bank balances are to be invested at interest with the Golddiskont Bank acting in co-operation with the Reichsbank. A further agreement came into force in the business year 1928.

B. REPARATION PAYMENTS

The first eight months of the business year 1927 coincided with the 3rd Annuity year. In the 3rd Annuity year the total charge for the service of the reparation bonds amounted to GM 550 millions. Beginning with the 4th Annuity year (September 1, 1927) the annual charge rises to the standard amount of GM 660 millions which provides for amortisation at

the rate of 1 per cent. As in the previous year monthly payments on which a discount was granted were made in accordance with the special agreement concluded with the Agent General for Reparation Payments, in place of the semi-annual payments provided for under the Experts' Plan. All these payments were made to time; the gold clause entailed a loss on the exchange of roughly RM 1/2 million. Amortisation which began with the 4th Annuity year resulted in the redemption of roughly GM 36.7 millions of reparation bonds by the end of the business year.

In addition to the reparation payments the transport tax was also payable to the Agent General. The sum of GM 290 millions prescribed for the 3rd Annuity year in the Experts' Plan was duly realised. The surplus yield of the tax of roughly GM 10 millions was transferred to the Finance Ministry of the Reich. In the 4th Annuity year GM 290 millions have likewise to be paid. In this case also all the payments have so far been effected up to time. In virtue of a special agreement the Finance Ministry of the Reich pays a fixed sum every month to the Agent General while the German Railway Company transfers the proceeds of the transport tax whatever they may be to the Finance Ministry.

C. THE REFORM OF ADMINISTRATIVE METHODS

The methods of accounting and book-keeping are constantly being revised to meet the requirements of businesslike administration. The keeping of accounts by the Reichsbahn district Administrations together with the establishment of profit and loss accounts and balance sheets for these districts, have proved satisfactory. This system enables the Management of the Reichsbahn to study the results of its administration and to co-operate more successfully in establishing the undertaking as a whole on a sound economic basis.

The auditing work of the chief auditing department was extended still further but without interfering with the punctual closing of accounts.

D. SHARE HOLDINGS OF THE GERMAN RAILWAY COMPANY IN OTHER CONCERNS

The increase of the share holdings of the Company in other concerns to RM 16.5 millions as shown in the balance sheet for 1927 is due to the acquisition of larger share holdings in the Mitteleuropäische Schlafwagen und Speisewagen A.G. (Mitropa). No other changes have taken place in the Company's share holdings.

IV. STAFF

A. POSITION OF STAFF

The total staff was reduced in 1927 as compared with the previous year on an average by 3,554 persons to a total of 704,016. The decline is due to the reduced number of workmen employed on the upkeep of the permanent way and in the workshops, whereas a larger proportion of staff was employed in operating the system as a result of the increase of traffic as compared with 1926. The number of officials, which to some extent still exceeds the actual requirements of the railway, was further reduced in 1927 by normal retirements and by the application of the appointments programme.

B. POLICY WITH REGARD TO OFFICIALS AND WORKMEN

1. Legal position of Staff

As from February 1, 1927 the probation periods for the appointment of non-dismissable Reichsbahn officials was reduced to 10 years in the case of salary categories I to IV. The duration of the probation periods is at present therefore 10 years for categories I to V, and 5 years for categories

VI to XI. The service rank of officials in salary categories I to IX was revised as from the same date.

In view of the coming into force on July 1, 1927 of the Law on labour courts, the principal tariff committee and the tariff sub-committees - which hitherto acted as arbitrators in disputes connected with the wage agreement - were abolished by agreement with the employees and associations which were part signatories to the wage agreement. Since July 1, 1927 the labour courts are the competent authorities for settling labour disputes affecting the German Railway Company, and especially in the first instance the Reichsbahn Boards established with the labour courts at the headquarters of every Reichsbahn administration.

2. Working hours of Staff

As from April 25, 1927 the working week of Reichsbahn officials and employees in the repair shops, principal shops, telegraph shops, timber impregnating departments, and the railway power stations and gasworks was reduced to 51 hours with a corresponding arrangement for the workmen employed in the above mentioned shops, etc, in all cases where the working week had not already been fixed at less than 54 hours. Nevertheless when necessity arises the heads of the aforementioned railway departments are entitled to increase the working week to 54 hours at any time.

The working week of officials engaged on maintenance work remains at 54 hours.

In fixing the working hours of those of the Company's servants who come under the regulations on the length of the working day certain improvements were effected in 1927 in favour of the personnel. Negotiations are at present on foot in respect of the claims put forward by the trade unions

for a reduction of working hours and the length of shifts for personnel under the above mentioned regulations.

Special agreements, which came into force as from April 25, 1927, were concluded with the tariff unions in respect of the working hours of workmen who do not come under the regulations on the length of the working day. In virtue of the aforesaid agreement the regular working time of workmen in the repair shops, principal shops, telegraph shops, timber impregnating departments and power stations and gasworks of the Reichsbahn was fixed at 8 hours a day and 48 hours a week. Over and above this, workmen are called upon to do three hours overtime a week, and in periods when there is a large volume of work to do a further three hours overtime in addition. In addition to the ordinary wage a supplement is payable for overtime, equivalent for the first three hours to 15 per cent and for the further three hours to 25 per cent of the wage. In practice no changes have been made as regards working hours in the railway maintenance service; where overtime is worked during the period March 1 to October 31 (up to 6 hours a week is allowed), a corresponding overtime supplementary wage is payable.

3. Salaries of Officials

Up to September 30, 1927 the salaries of Reichsbahn officials were regulated by legislation of the Reich. In connection with the revision of salaries of officials of the Reich separate salary regulations were introduced on October 1, 1927 for officials of the Reichsbahn. In this way it has now become possible to establish separate salary regulations to meet the special requirements of the Reichsbahn, while complying in principle with § 26 paragraph 1 of the Railway Law.

The salary scheme comprises 17 categories as compared with the former 13, and in addition six sub-divisions for categories of officials which will disappear in the future.

The new regulations of the Reich have included officials on retaining pay in the new salary scheme, whereas the remaining recipients of maintenance pay are graded on a percentage scale as old and new pensioners and also according to the amount of the basic salary. As by far the greater part of those receiving maintenance pay from the funds of the German Railway Company are legally still entitled to maintenance from the Reich or the States, the new legislation of the Reich or the States automatically applies to them. There is therefore as yet no reason for establishing separate regulations for Reichsbahn officials drawing maintenance pay; instead the regulations of the Reich have been applied to them.

For 1928 the above revision of salaries involves an additional outlay of RM 230 millions.

Independently of salaries reform the housing allowance was adapted to the general increase on rents by a 10 per cent increase on April 1, 1927 and October 1, 1927, respectively; this involved an additional annual outlay of 46 millions.

4. Careers of officials, appointment of beginners

During the business year 1927 the work of unifying the appointment and promotion of officials was continued. The particularly important career for officials in the form of the higher medium grade technical service was introduced.

This new career involved a considerable simplification in the organisation of officials from the fact that, in the Prussian-Hessian system for instance, the separate careers of technical railway clerks, stationmasters,

depot managers and technical chief secretaries were amalgamated to form a single career. The reform has had similar effects in the other State systems. The new career therefore comprises both external and internal service. Within such a career specialisation follows one of three lines, viz. technical construction, technical engineering and technical surveying. Technical construction also covers safety appliances and long distance signalling. Technical engineering also includes specialisation in high power currents and heat. In the case of technical surveying it is not merely a question of land surveying, but an effort is being made to continue the transfer of duties for which a surveyor's education is not essential to the technical surveying staff. Despite the necessity of distinguishing between these three branches of specialised work, uniformity has been preserved as regards the appointment and promotion of candidates in all three services. Now that high power electricity has been included under technical engineering, it has been possible to do away with the special career for officials in electric traction which was provisionally introduced in 1923.

As the technical administrative service also entails draughtsman's work and simple technical duties capable of being carried out by less specialised or educated persons, a separate career for technical assistants and clerks is in preparation.

Following the cessation of regular appointments of beginners to medium grade official positions which dates back to the beginning of the war, the appointment of such beginners was resumed at the beginning of 1927 although for the time being on a reduced scale. 150 beginners were appointed in the higher medium grade non-technical service, one-half being civilian supernumeraries and the other half being candidates for maintenance. Towards

the end of the year under review approximately 200 technical beginners were accepted for the new career of official of the higher medium grade technical service. It is proposed to continue such appointments where essential in 1928, in order to secure a body of young members to the staff.

Work has been begun towards compiling uniform personal service instructions for officials. Personal service instructions have already been issued for locomotive officials while other similar service instructions are in course of preparation.

5. Pensions borne by the Railway Company

The pensions charged on the German Railway Company in 1927, as calculated from the month of July, represents an annual outlay of roughly RM 408 millions as compared with RM 123 millions in 1913. Taking 1913 = 100 the number of persons entitled to maintenance is found to have risen to 195, while expenditure on pensions has increased to 332.

A considerable proportion of the RM 285 millions of increased expenditure (it may be estimated at RM 185 millions) is due to causes for which the Management is really not responsible: viz. to inflation of staff after the war and to expenditure on retaining pay resulting from reductions of staff. The Reichsbahn has received no compensation for having assumed this burden of political pensions in the general interests of the Reich.

Further reasons for the increase of pensions expenditure are as follows:

1. increase in the number of widows and orphans as a result of the war,
2. inclusion of old pensioners in the new salary categories and the increase of maintenance pay following the increase of officials' salaries,

3. the granting of social supplements (supplements for wives and children, etc),

4. increase of the maximum pension rate from 75 to 80 per cent, and of widows' pensions from 40 to 60 per cent.

6. Workmen's Wages

The unions who were signatories to the wage agreement for workmen gave notice on March 31, 1927 terminating the agreement both as regards working hours and wages. Demands were put forward for a general increase of wages, the introduction of uniform wages and payment of supplements for overtime done in addition to the 8 hour day. As the negotiations on these claims broke down, the unions applied for an arbitral award. On April 8, 1927 the Court of Arbitration pronounced an award on the disputed points, which was however rejected by the Railway Company. In reply to the application of the unions the Minister of Labour declared the award as binding on April 14, 1927. In consequence the basic wages for all wage districts and local categories were increased for the period April 1 to September 30, 1927 by 4 Rpf for all workmen over 24 years of age in wage categories I to VII, and by 3 Rpf in wage category VIII. For the period subsequent to October 1, 1927 the basic wages were increased by a further 1 Rpf. This wage agreement cannot be denounced before March 31, 1928. It was further decided in the arbitral award, in virtue of § 6 a of the emergency working hours law, that as from April 1, 1927 overtime done in addition to the 48 hour week was to be paid at special rates: viz. a 15 per cent supplement for the 49th to the 51st hour and a 25 per cent supplement for the 52nd to the 54th hour.

An agreement was reached during June with regard to the joint enquiry into local wage supplements, which the contracting parties were called upon to hold in virtue of the award. In localities where it was necessary to

adapt the wages of Reichsbahn workmen to the wages of workmen in private industries, the local wage supplements were raised or revised. On the other hand in localities where the existing supplements no longer appeared justified in comparison with the wages of workers in private industry the local wage supplements were reduced. The increase or decrease of supplements averaged from 1 to 2 Rpf per hour. The upshot of the revision was an additional annual expenditure of RM 75 millions.

In September 1927 the unions actuated by the rise in the cost of living since the spring, applied for an "interim" wage settlement for Reichsbahn workmen as from October 1, 1927 over and above the increase to be effected in virtue of the award. The Reichsbahn declined to make such a settlement, but declared itself willing to give assistance in the form of local supplements in so far as its financial position would allow. Although the unions upheld their demands for a general increase of wages, they agreed to negotiate on the question of local supplements. The negotiations terminated in the second half of December 1927 and resulted in additional expenditure of approximately RM 11.7 millions per annum.

Further efforts were made to extend the system of hired labour.

7. Strike

At the end of November 1927 there was a short strike confined to the area of the Dresden Reichsbahn administration, caused by the dismissal without notice of three workmen in the Reichsbahn repair shop at Friedrichstadt who spoke against the German Railway Company during service hours at a meeting of employees held without the consent of the works manager. On November 28 the entire staff of the works with the exception of about 200 abstained from work. The Reichsbahn administration thereupon closed the works and dismissed the staff without notice. The workmen in

the Dresden railway departments then struck in sympathy. Out of 2,890 workmen in the operating service 1,147 struck in the aforesaid departments, while in the maintenance department 506 workmen out of 712 went on strike, i.e. a total of 1,653 strikers out of 3,602 workmen employed in the Dresden railway departments. No emergency measures were taken and the passenger and goods traffic was maintained without any considerable interruption and delays by the local staff. On December 3 an agreement was reached with the unions through the mediation of two representatives of the Central Administration. Work was thereupon resumed immediately and the workmen were all reinstated with one exception.

8. Railway Police

The detective and patrol service which is responsible for protecting railway property and travellers and for combating thefts, also did good work during the year under review. This is proved merely by the fact that compensation for lost property has fallen to one half of the 1925 compensation, and in addition to other causes this must be attributed to the activities of the detective and patrol service.

Special attention was devoted in 1927 to educating the members of the force in the execution of their duties. Individual duties were compiled in handbooks and discussed in detail. Regular courses are given on these lines.

The increased security on the railway in particularly evident, if it is remembered that during the last few years the total tonnage of goods transported as well as the number of ton kilometers have increased while thefts in general have declined.

Each Reichsbahn Administration employs on an average three officials on the detective service and approximately 1,700 men on the patrol service;

only about 380 local watchmen are now employed; 570 trained dogs assist the police force in its work.

9. Assistance

Expenditure on assistance was distributed as follows:

	million RM
to active officials	14.3
to pensioned officials and officials on retaining pay, as well as to surviving dependents of the same	5.4
to workmen, invalid workmen and surviving dependents of workmen	13.5
emergency assistance to pensioned officials and officials on retaining pay	4.0
together	37.2

10. Uniforms, clothing clubs and protective clothing

During the year under review the wearing of full service uniform was again made obligatory for assistants, level crossing and signalling men. As a result of the extension of the obligatory wearing of uniforms the membership of the clothing clubs, to which the Company makes a contribution towards the cost of uniforms, increased by roughly 20,000 (approximately 180,000 at the end of 1926). The Company's contribution was fixed at RM 20.40 for every member who belonged to the clothing club throughout the business year 1927.

Protective clothing for the winter, against rain and for certain work, was made available to the staff to the same extent as in 1926.

C. EDUCATION

Uniform regulations based on those of the former Federal State railways have been established for the training of apprentices; these regulations have

been adapted to the new regulations governing workshops and are now uniformly applied to the instruction of the younger generation throughout the administrative sphere of the German Railway Company. Advantage has also been taken of the experiences gained in private enterprise. The work of revising the practical instruction given to those engaged in machinery construction and also to pupils was begun. New regulations have also been established for the instruction of the staff in first aid. In future newly engaged workmen will be systematically instructed in their work for 4 hours and will also be acquainted with the dangers involved in the operation of railways. This is expected to reduce the number of accidents due to ignorance and carelessness. A number of supplementary courses were arranged for officials, among others a course of knowledge in commercial wares for freight inspectors, a course for officials responsible for maintenance, etc. A number of officials also received instruction in the principles of practical management with a view to giving them an effective modern education on an economic basis. In addition to the central schools in Hanau and Freymann near Munich, the central school in West Brandenburg has been enlarged and put into permanent service.

The instruction cars maintained by the Reichsbahn Administrations have proved entirely satisfactory. Progress has been made as regards voluntary education in so far as the contract with the Association of German specialised railway schools, which was in many respects out of date, has been replaced by an up-to-date contract. No changes have however been made in the underlying principles. The Association comprises all trade unions and associations of officials regardless of political opinions. The administrative academies in a number of towns assist the Reichsbahn in the education of officials by means of courses. The psycho-technical examinations have been further extended and new examinations instituted for

operating assistants, guards in charge of loading and signalling men.

D. DWELLING HOUSES

During the year under review the Company's systematic efforts to reduce the scarcity of dwelling houses for its servants met with further success. The construction of new houses was almost entirely confined to the cooperative building associations, in particular the Railway Building Cooperatives and the Settlement Associations. The German Railway Company has granted second mortgages to a total value of RM 16 millions to associations of this kind. With the help of these funds a programme for the construction of roughly 8,000 railwaymen's dwelling houses has been begun, the total cost of which will be in the neighbourhood of RM 90 millions. In spite of unfavourable developments on the mortgage market during the past year the financing of the aforementioned programme is ensured. By means of rebates of interest on the Reichsbahn mortgages and supplementary interest on the non-Reichsbahn mortgages the rents of the new dwelling houses are adjusted to wages and salaries. The construction of dwelling houses by the Reichsbahn itself (242) was only undertaken in places where operating requirements rendered the same absolutely essential. A further 125 dwellings were created by the reconstruction or extension of buildings owned by the Company. Thanks to the unceasing measures taken by the Company to ensure the supply of dwellings, the number of its unhoused employees fell from 46,000 in 1925 to 37,000 at the end of 1927.

E. RELIEF WORK

1. Sickness, accident and invalidity insurance, insurance of dependents and employees, and unemployment insurance

Important innovations were made in 1927 by the law on elections under

the Fundamental Law on Insurance of the Reich (Reichsversicherungsordnung), by the Employees Insurance Law (Angestelltenversicherungsgesetz) and the Trade Unions Law of the Reich (Reichsknappschaftsgesetz) of April 8, 1927, by the Law on payments and contributions toward invalid insurance (Gesetz über Leistungen und Beiträge in der Invaliden Versicherung) of April 8, 1927, by the third Law amending the second volume of the Fundamental Law on Insurance of the Reich (Drittes Gesetz über Änderung des Zweiten Buches der Reichsversicherungsordnung) of July 15, 1927 and by the Law on the Provision of Employment and Unemployment Insurance (Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung) of July 16, 1927.

Under the first of the above-mentioned laws a uniform period of office has been established for all honorary appointments in respect of social insurance. The said period of office is five years coinciding with the calendar year.

The second law increases contributions to invalidity insurance under the laws of the Reich by roughly 24 per cent on an average. This step was necessary in view of the reduced funds of the invalidity insurance organisations. In addition this law introduced annuities to widows of deceased insured men who are not yet themselves invalids and have completed their 65th year; further it increased the graduated payments on contributions effected in respect of the wage categories in force up to September 30, 1921. Lastly, a new wage category VII was introduced for weekly earnings of more than RM 36.

By the law of July 15, 1927 the maximum figure for annual earnings below which sickness insurance is obligatory for employees was raised from RM 2,700 to RM 3,600.

The law of July 16, 1927 is designed to prevent unemployment by a systematic organisation for the provision of employment and by Exchanges for the selection of suitable work which the insured person is obliged to accept if he does not wish to lose his claim to relief; in addition the law provides for relief in the event of unavoidable unemployment.

There was no change during the year under review in the contributions and payments of department B of the workmen's pension fund. The average annuity ranges between RM 433 and RM 645 per annum.

During the years 1921-1926 the Reichsbahn expended one million marks annually on officials, employees and workmen together with their dependents either suffering from or threatened with tuberculosis. In 1927 RM 2 millions were made available for relief under this heading. The Reichsbahn accordingly occupies a prominent place in the campaign against this national scourge.

To assist associations and schemes for sickness, maternity and child welfare among the families of Reichsbahn employees - in particular in small localities with a large number of the Company's staff - RM 250,000 were expended (RM 200,000 in 1926).

The systematic instruction of the personnel and its dependents on the symptoms of disease and on the cultivation of normal health, which was instituted for the winter 1926/27, is to be continued in the winter 1927/28. In order to make the lectures of Reichsbahn doctors still more effective and attractive, permission has been given for the provision of series of lantern slides and lecture pamphlets taken from originals of the museum of hygiene in Dresden, to be used throughout the Reichsbahn area.

In order to promote the prevention of accidents so-called safety engineers were appointed in the Reichsbahn repair shops, whose duties among others comprise supervision of the efficiency and regular application of

the safety appliances and working safeguards, the suggestion of improvements and the prevention of casualties by the discovery of unknown sources of danger. In all other departments of the Reichsbahn these duties have been entrusted to a special official acting in addition to the departmental head. The revision of the regulations for the prevention of accidents is practically completed.

For the further improvement of the first aid service the contents of the doctors' cars for relief trains and the internal equipment of the "Verband" (sick) rooms established on stations with a large volume of traffic, are being uniformly reorganised and modernised in collaboration with confidential medical advisers. An agreement established with the German Red Cross is intended to organise and ensure uniform first aid rendered by ambulance corps.

No changes were made in 1927 in the organisation of the railway medical service. Medical fees are being raised as from January 1, 1928.

The fund for sick railway officials instituted on April 1, 1926 has been established on a sound basis after encountering difficulties at the outset. The necessary amendment of the statutes, which provide for an increase of contributions and a reduction of payments, was decided in September by the competent meeting of representatives.

2. Promotion of recognised self-help institutions for staff

The sickness and dependents fund of the German Railway Company (Verbandskrankenkasse) again encountered financial difficulties during the year under review as regards tariff I (granting of a supplement to the legal sickness insurance pay to workmen). Following the reduction of funds through the inflation payment of the widows' and orphans' annuities

under tariff III, which were fixed prior to February 14, 1924 and had been met since January 1924 out of gold contributions levied, had to be suspended. Where necessity arises, the Reichsbahn administrations have been instructed to give assistance.

The Bund der Deutschen Reichsbahnturn- und Sportvereine in Frankfort (Main), the Bund der Reichsbahnkurzschriftvereine in Berlin and the Hauptverband der Reichsbahnkleinwirte in Erfurt have joined the Reichsverband der Eisenbahnvereine in Cassel.

The charitable institution for the daughters of railwaymen celebrated the twentyfifth anniversary of its successful activities in 1927. During the 25 years of its existence six million marks have been devoted to assisting the daughters of deceased servants of the Reichsbahn. The third home established by the institution - the Maria-Heim in Zinnowitz (Baltic) was opened on May 25, 1927 in the presence of the General Manager of the German Railway Company. The home has accommodation for 130 orphan girls and also takes weak and underfed children for six week holiday cures.

During the year under review three more railway country holiday homes were established. At present there are twenty of such homes advantageously situated in attractive parts of the country all over Germany. In 1927 grants to the value of RM 150,000 were allotted for the equipment and maintenance of these homes.

The insurance union of German Railway employees (Berlin) paid out RM 540,528 in respect of damage by fire and RM 59,216 in respect of burglaries during the last year.

The constant practice of physical training is of the greatest value to railway employees. For years past the railway associations have regarded the promotion of sport as one of their primary welfare duties. Accordingly when in 1926 the railway sport associations in individual localities

combined to form the Bund der Reichsbahnturn- und Sportvereine, which is neutral both as regards politics and religion, the next step was quite naturally for the Bund to join the Reichsverband der Eisenbahnvereine E.V. Kassel. At the present day a year after the fusion, the Bund numbers 115 railway gymnastic and sport associations with a membership of roughly 25,000.

The German Railway Company regards it as its duty to promote the efforts of these associations.

V. CONSTRUCTIONAL WORK

A. CONSTRUCTIONS CARRIED OUT

The favourable development of traffic receipts in the second half of 1926 together with the grants received from the Reich facilitated somewhat greater activity in regard to constructional work as early as 1926, and it was possible to maintain approximately the same level of activity in 1927.

The following new lines were put into service:

Blindgallen-Szittkehmen being the remainder of the branch line Dubeningken-Szittkehmen (Reichsbahn Administration Königsberg-Prussia),

Zschepa-Hohburg-Eilenburg being the remainder of the branch line Wurzen-Eilenburg, and

Kupferhammer-Grünthal-Deutschneudorf, branch line (Reichsbahn Administration Dresden),

Connecting track Seddin-Beelitz Stadt (Reichsbahn Administration Berlin),

Bad Liebenstein-Schweina-Steinbach (Kreis Meiningen) being the continuation of the branch line Immelborn-Bad Liebenstein-Schweina (Reichsbahn Administration Erfurt),

Klanxbüll-Westerland being the remainder of the branch line Niebüll-Westerland (Reichsbahn Administration Altona),

Uslar Stadt-Schönhagen (Hanover) being the remainder of the branch line Uslar-Schönhagen (Reichsbahn Administration Cassel),

Meinerzhagen-Krummenerl branch line and

Dusseldorf-Gerresheim-Block Hardt, main line (Reichsbahn Administration Elberfeld),

Muggendorf-Gössweinstein (Sachsenmühle), section of the branch line Gasseldorf-Behringersmühle (Reichsbahn Administration Nuremberg).

The construction of new lines was pursued according to the funds available, a part of which was derived from loans of the Reich and the States concerned.

Work was continued on the branch lines Borna near Leipzig-Grossbothen and Obercunewalde-Löbau, on the new line Mikultschütz-Brynnek, goods connecting line near Stettin, the branch terminal line Jungfernheide-Siemensstadt-Gartenfeld, the new line Rössen-Zöschen, the northern detour line to avoid Hamburg, the new lines Bredstedt-Löwenstedt and Haffkrug-Neustadt (Holstein), the line Hanover-Celle, the new line Verden-Rotenburg, the line Witten-Barmen, the line Preussen-Münster, the section Rommerskirchen-Liblar, the line Nekkarsteinach-Schönau, the line Bad Peterstal-Griesbach (preliminary work), the branch line Leinfelden-Waldenbuch, the branch lines Klosterreichenbach-Rauminzach, Spaichingen-Reichenbach, Schömberg-Rottweil, Eisenberg-Enkenbach and Zwiesel-Bodenmais, and the new line Kinding-Beilngries.

The duplication of track on already existing lines has made further progress.

The extension of the lines Rositz-Altenburg is completed. In the district under the Reichsbahn Administration Berlin the second track has been laid on the Berlin-Kremmen line from the Havel bridge as far as Velten and the transference of Hennigsdorf station to the high level has been completed. The construction of the special suburban line Charlottenburg-Heerstrasse with the connecting station at Charlottenburg and Eichkamp station has so far progressed that simultaneously with the inauguration of the electrified service the local trains to Spandau will be able to run on the urban lines of the Stadtbahn.

In the case of the construction of the third and fourth track Hamm-Wunstorf the reconstruction of Gütersloh station has made the chief progress. Work was begun on the construction of the third and fourth track Prinz von Preussen-Langendreer (Bochum), the first section of the quadruple track Cologne-Dortmund, which is essential for the improvement of services in the Rhine-Ruhr district. On the line Münster-Osnabrück the approach cuttings and the bottom headings of the tunnel for the third and fourth track have been completed and 400 metres of the 584 metre tunnel have been brick-lined.

In the construction of the second track Jagstfeld-Osterburken the station at Adelsheim has been entirely completed and the earthworks on the open stretch Jagstfeld-Untergriesheim have in the main been completed. The last link in the construction of the second track Böblingen-Eutingen has begun with the earthwork for the extension of Eutingen station. In the case of the second track Horb-Rottweil-Hattingen the extension of the classification yard at Horb and of Sulz station was continued by means of grants from the State of Wurtemberg, while the construction of track commenced in the Autumn. Work was continued on the laying of the quadruple track Ludwigsburg-Esslingen.

The reconstruction and extension of stations was taken in hand in 1927 wherever possible in accordance with the requirements of economic operations and services.

Work on the reconstruction of the railway installations at Königsberg Prussia was systematically continued in every direction.

As a substitute for the station at Garmsee ceded to Poland a new frontier station Garmsee (West Prussia) was constructed and put into service. Work was continued on the extension of stations at Liegnitz, Kohlfurt, Breslau-Odertor, Waldenburg-Altwasser and the frontier station Neumittelwalde. The enlargement of stations at Rabishau and Gersdorf-Waldau has been completed. The reconstruction of stations at Gleiwitz, Hindenburg, Beuthen, Glogau, Grünberg and Guben made further progress. The extension works in Altenburg, Bautzen, Chemnitz-Süd, Ebersbach, Flöha, Glauchau, Meissen, Plauen (Vogtland), Zittau and Zwickau were continued; work on the stations at Neumühle (Elster) and Schmölln (Upper Lusatia) was completed. The improvement of tracks in the classification yards of Chemnitz-Hilbersdorf and Dresden-Friedrichstadt was extended. The reconstruction of the station at Halle (Saale) was continued, while that of Senftenberg station has practically been completed.

At the Tempelhof classification yard the groups of arrival lines from Elsterwerda and Halle, the eastern direction group and the new departure lines for long-distance routes have been completed. The reconstruction of Wannsee station reached a stage making it possible for directional traffic from the urban and Wannsee lines to be run through in the summer of 1928.

The extension of the goods station at Erfurt and of the railway installations at Saalfeld was continued systematically. Work was continued on the new classification yard at Brunswick to the extent allowed by

available funds. The first section of the work of reconstructing the Magdeburg-Buckau station - viz. the raising of the track as far as the Werner-Fritz Strasse - was completed. Work on the enlargement of the classification yard at Aschersleben together with the extension of Oker station was temporarily completed. The new passenger and sorting station at Flensburg was put into service.

Work was continued on the creation of a classification yard at Münster together with the necessary detour line Mecklenbeck-Sudmühle, and on the extension of the passenger and locomotive station at Münster, the passenger station at Rheine and the stations of Kreuztal, Altenhunden and Weidenau. Work on the reconstruction of railway installations in and around Dusseldorf and for the extension of installations at Mühlheim-Heissen, Gelsenkirchen-Bismarck, Duisburg-Hochfeld Süd and Duisburg Hauptbahnhof was also actively continued. In the case of the last-named station directional traffic has been inaugurated as intended, following the completion of the new track. A fresh start has been made on the reconstruction of shunting installations at Osterfeld Süd.

The reconstruction and extension of the outer stations of Cologne, viz. Gremberg, Ehrenfeld and Nippes, also the stations at Düren, Jülich and Mörs (passenger station) have been continued.

The station at Adenau has been enlarged in order to cope with traffic to and from the Nüburgring, the new motor race course at Eifel. Constructional work on the stations at Frankfort (Main), Offenbach, Kahl and Fulda has been completed with the exception of some insignificant details. At Perl on the Alsatian frontier (Trier-Diedenhofen line) a new customs and frontier station has been put into service.

The new sorting station at Heidelberg has been put into service. This considerably relieves the existing plant at the old passenger station at Heidelberg.

The reconstruction of Freiburg station installations was continued, whereas work at Waldshut station has in the main been completed. The local goods station at Singen (station operated jointly with the Swiss Federal Railways) was practically completed and was put into service.

Work was continued at Stuttgart central station. Work was begun on the extension of Kufstein station and on the extension and centralisation of Murnau station.

Other extensive superstructures were completed or are in course of preparation.

Among the above must be mentioned: station buildings at Westerland, Flensburg, Stettin-Zabelsdorf, Dillenburg, Stuttgart and Offenbach, and the extension buildings at Frankfort (Main) central station which were completed and put into service. The station buildings at Königsberg central station, Wannsee, Charlottenburg (intersecting station), Meissen, Rheine (Westphalia) and St Goar have been completed as regards rough brick work, as also the customs hall at Beuthen station and the extension building of the Reichsbahn central office. Preparations are being made for station buildings at Bremen-Neustadt, Duisburg, Oberhausen, Mannheim and Beuthen, and for the erection of a central telegraph office in extension of the offices of the Reichsbahn Administration in Berlin.

B. MAINTENANCE OF PLANT

1. Superstructures

Work was continued on the strengthening of the Berlin Stadtbahn arches. Out of 723 such arches 335 had been strengthened by the end of 1927.

The degree of safety at level crossings has been raised by the introduction of a uniform and more easily visible colour scheme for barriers, and by improved illumination of level crossings supervised by keepers where traffic is heavy.

2. Permanent Way

Further progress was made in the maintenance and renewal of the permanent way. During the period under review 4,136 km of running track on the main lines were completely renewed with new materials. This means that not only were the normal renewals of roughly 3,100 km carried out in full, but that in addition 1,036 km of arrears of track renewal from the war and post-war periods were made up. In addition to track approximately 12,340 switches calculated in terms of simple switches were completely renewed.

The following work of maintenance was carried out in the business year 1927:

roughly 230 km of rails, particularly on sharp curves, were renewed in continuous sections;

roughly 415 km of old types of track were strengthened by increasing the number of sleepers and improving the joint fittings;

approximately 3,110 km of running track on secondary lines and of sidings were completely renewed with old materials fit for further use together with a certain amount of new material;

approximately 8,125 sleepers on sidings, calculated in terms of single sleepers, were replaced by old sleepers still fit for use and accordingly renovated;

on approximately 3,520 km the ballast of running track was entirely renewed, while partial renewals took place on approximately 3,470 km of track;

approximately 25 per cent of the running track and about 12 per cent of other track was systematically overhauled.

A comparison of the work done in the business year 1927 with that done in 1926 reveals the fact that there has been a slight decline in the replacement of rails and sleepers and in the strengthening of track. On the other hand a larger proportion of running track on secondary lines and of the more important sidings has had to be completely renewed with old materials from heavier types of track, for the reason that the existing type of permanent way was no longer able to support the locomotives with higher wheel pressure now generally in use. In particular it was necessary to renew the ballast of running track on the more important main lines, as only a perfect ballast foundation can ensure a permanently level track and the consequent smooth running of trains. In addition good ballast is especially advantageous in protecting the materials used for track and the rolling stock against wear and tear.

When renewing the more important running tracks on the main lines with new materials, the new type of permanent way for the Reich was invariably used. The new permanent way K with S 49 rails on wooden sleepers was substituted over a distance of 1,978 km, permanent way B with S 49 rails on iron sleepers was constructed over a distance of 2,133 km, and permanent way O with S 49 rails on iron sleepers was laid over 25 km.

The construction of uniform types of permanent way for the Reich may be considered as temporarily at an end, following the experiences gained in 1927. In its place the construction of uniform Reichsbahn

switches now occupies a prominent position. The inquiry instituted at the end of 1926 to establish principles for the future construction of switches, has concluded its work and the Reichsbahn central office in Berlin has begun with the construction of switches.

The experiments made with regard to the welding of rail joints both on tracks and at switches again yielded satisfactory results. In place of the normal 15 meter rail a 30 meter rail was employed. Neither the manufacture, nor the transport, nor the laying of these long rails gives rise to any special difficulty. It is therefore proposed to adopt these long rails measuring 30 meters, which will moreover be laid on wooden sleepers, on all the principal express lines, on bridges and in tunnels in order to reduce jolting. As a result of the more elastic track, trains will run smoothly even at high speeds and the disturbing sounds raised when running on iron sleepers will be avoided, thus rendering travel more agreeable.

Working methods in respect of the renewal and maintenance of permanent way and ballast were perfected. This applies not only to the procedure referred to in the previous report with regard to the packing of ballast during the reconstruction of track, but also to the laying of the permanent way with the assistance of certain special apparatus. During the period under review a number of new installations for the laying of track of the Hoch u. Niemag type were put into service. In addition the development of crane cars for the laying of points in big stations has been taken in hand, thereby considerably facilitating the difficult work of point laying. The equipment of service departments with up-to-date tools and means of transport has also been continued and has made it possible to secure greater and better services in conjunction with a saving of time and labour.

The more extensive use of hired labour has also yielded satisfactory results.

The construction of a permanent way test car has - despite the difficulties encountered in the choice and creation of measuring instruments for the many tasks to be fulfilled - progressed so far that it is possible to learn something of the reaction of the track to traffic by means of trial trips.

3. Bridges

The condition of the iron bridges was again considerably improved, as in the previous year, by extensive de-rusting and painting and by the renewal of defective girders and flooring. For the removal of rust mechanical processes were again successfully adopted among others, partly with plant constructed by the Company itself. Discarded planking was very largely replaced by sheets of warted iron.

Special attention was devoted to perfecting the anti-rust treatment of iron constructions. On the basis of the results obtained from the painting experiments introduced in 1926, new conditions were drawn up regarding deliveries of anti-rust paints providing for the standardisation of the same.

The condition of the stone and concrete bridges was further improved by the renewal of defective and weather-worn portions, and by cementing and drainage.

It was possible to make special progress during the year under review with the strengthening and reconstruction of iron bridges, upon which the prevailing heavy traffic places an excessive strain, thanks to the provision of abundant funds for the purpose. In addition it was possible to reconstruct various individual important sections of line to

carry the P 10 locomotives, while some other sections were opened to the heavy goods trains.

The results obtained with regard to bridges constructed of silicum steel have in general proved satisfactory. Experience seems to point to silicum steel as the best building material for medium and large bridges and for engineering works above ground. Accordingly, provided that the hopes entertained with regard to this steel are fulfilled, it is likely to replace steel 48 very shortly. The further development of silicum steel appears likely to be encouraged owing to the great interest shown in it by foreign countries.

In order to secure smooth travel on bridges the welding of all rail joints has been ordered for all big bridges, following extensive experiments. Experiments with welded truss supports are being carried out at the present time.

The following important bridges were completed in 1927:

Hunte bridge near Elsfleth (Hude-Nordenham line),

Hunte bridge near Huntlosen (Oldenburg-Osnabrück line),

Mulde bridge near Eilenburg,

Norder-Elbe bridge near Hamburg,

bridge over the Elbe-Trave canal near Büchen,

strengthening of the triple track bridge at Altona station,

bridge over the Tiefstack canal near Billwärder station,

Este bridge near Buxtehude,

bridge over the West Oder near Stettin,

Saale bridge near Bernburg (Güsten-Köthen line),

Innerste bridge on the Goslar-Hildesheim line,

Oker bridge on the Vienenburg-Grauhof line,

Rhine bridge near Wesel,

Ruhr bridges on the lines Mühlheim-Styrum-Duisburg, Steele Süd-Altendorf (Ruhr) and Kupferdreh-Dahlhausen,

the crossing bridges at the Präsident station (Bochum-Riemke-Wanne),

Main bridge near Hanau,

Main bridge near Frankfort (Main),

bridges across the Weschnitz valley and the Weschnitz (Weinheim-Fürth line),

bridge across the Rhine near Duisburg,

Ahr bridge near Sinzig,

Emmerbach bridge (Hamm-Münster line),

Weser bridge near Dreye (Wanne-Bremen line),

Ravenna bridge near Höllsteig (Freiburg-Donaueschingen line),

strengthening of overhead structures of the Neckar bridge near Mannheim,

Tauber bridge near Weikersheim,

2 Altmühl bridges (Munich-Treuchtlingen line),

Amper bridge (Munich-Treuchtlingen line),

Naab bridge (Ratisbon-Hof line),

Fichtelnaab bridge (Nuremberg-Eger line),

2 Röslau bridges (Nuremberg-Eger line),

Mosel bridge near Eller,

Weser bridge near Wehrden,

Saale bridge near Schwarza,

Elster bridge near Gera,

Oker bridge near Meinersen,

Allerflut bridge near Schwarmstedt,

Mulden bridge near Döbeln (Borsdorf-Coswig line),

Mulden bridge near Nossen (Borsdorf-Coswig line),

Oder bridge near Frankfort (Oder)

Drage bridge near Kreuz (the first railway bridge constructed in silicum steel),

Oder bridge near Oppeln,

Schomberger Strasse under-line bridge at Beuthen station.

C. Signalling and safety appliances

The signalling and safety appliances have been extended and improved in many places. A considerable proportion of out-of-date and worn out signal and switch plant was renewed or reconstructed for operation by electricity where traffic requirements or a saving of staff appeared to justify this. The equipment of track with the electric block system was continued. On a number of stations the electric lighting of switch and signal lamps was introduced for the first time. The day-light colour signals of the Reichsbahn have been considerably improved as regards effectiveness of the light. Approach indicators to advance signals, which began to be installed in 1926, have now been erected on almost all the main lines.

The extensive experiments carried out with appliances for communicating the block signals to the travelling train (so called influencing of trains) have yielded good results, in particular with the use of electro-inductive transmission apparatus. A system has also been developed for the utilisation of influencing of trains for working the air brakes when the signal is at danger, which promises to be successful so far as can be judged by experiments up to the present.

The long distance telephone system has been further extended in order to facilitate rapid communication between the departments responsible for operations and traffic, and with a view to reducing

written communication. A number of new long-distance telephone connections covering a total distance of 2,060 km were established. The improvement of telephone communication has made it possible in many districts to conduct the train signalling service more rapidly by telephone instead of by telegraph. In order to economise staff, 16 self-connecting exchanges have been installed in place of the inadequate hand-worked exchanges and in addition in certain places long-distance control cabinets for night services have been installed. Owing to the improvements effected during the last few years the telephone system has rendered valuable services in coping with the heavy traffic during the year under review.

In order to improve the telegraph service and to economise staff, a large number of Morse signalling cabinets were installed. In order that assistance may be called up more speedily in the case of accidents, work has been begun with a view to reducing the distance between telephone cabins on the line from 2 to 1 km.

The German ferry boats for the services between Sassnitz-Trälleborg and Warnemünde-Gjedser are now all equipped with bearing apparatus for navigation purposes.

The association for the purposes of studying technical matters in connection with shunting - comprising representatives of the Reichsbahn, the technical schools and industry - has begun its research work and has given useful assistance to the Reichsbahn in the development of mechanical installations for increasing the working capacity of the classification yards.

V/. ROLLING STOCK

A. CONSTRUCTION OF ROLLING STOCK

1. Locomotives and Motor Coaches

Among the standard locomotives in process of creation passenger locomotive 1 C and tank locomotive 1 C 1 for secondary lines, and shunting locomotive E (dockyard locomotive) have been completed and are being tested. The shunting locomotives C and D as well as standard locomotive 1 D 1 for secondary lines, which have been ordered, are expected to be completed at the close of the business year.

A coal dust locomotive was completed and tested. The results of the experiments give ground for hope that the efforts made for many years past to create coal dust fuel for practicable use in locomotives have at last met with success. A maximum pressure locomotive with a boiler pressure of 60 atmospheres was thoroughly tested. The turbine locomotive in use was improved by the installation of pre-heaters for exhaust steam together with drop grates. To promote the development of motor coaches with internal combustion engines two new types with Diesel motors and wheel gearing were completed and put into service. In addition a motor coach with suction gas motors was completed for experimental running.

2. Passenger and Freight Cars

Work was continued on the standardisation and construction of exchangeable spare parts, the substitution of electric lighting for gas lighting in the corridor trains, the installation of encased buffers, stronger couplings and stronger supporting springs. The baggage cars on express and ordinary passenger trains have been equipped with tools for rendering first aid in the case of accidents and also with fire extinguishers (tubs fitted with hoses and hand fire extinguishers). A number of corridor

cars which run through on to electrically operated foreign railways have been equipped with electric heating in order to increase comfort on trains. Special corridor cars with special internal equipment have been designed, and 20 such cars have been ordered for the F.D. trains. Orders were placed for 100 large goods cars to carry 50 tons of coke. They differ from the 60 tons large freight cars for coal in their length alone, which has been raised from 10 to 12 metres.

3. Brakes

In 1927 the number of freight cars equipped with air-pressure brakes was slightly increased, corresponding with the higher speed of goods trains and the larger number of fast goods trains.

4. Ships

A Diesel motor ship was put into service on Lake Constance.

B. WORKSHOPS

Rationalisation of the workshops was continued by the further amalgamation of various classes of work and by the re-organisation of individual shops for serial production. Work was continued on the improvements begun some years ago, viz. the installation of encased buffers and of stronger draft gear and buffer gear. The execution of this work is necessary for the increase of operating safety and will also be of economic advantage to the workshop service in subsequent years. The considerable outlay on materials and wages in respect of this work entailed a relatively large additional expenditure as compared with former years.

The arrears of freight cars in need of repair increased considerably at the beginning of the year as a result of the after effects of the great demands made on the freight car park during the British coal stoppage in

1926 and the resultingly large number of cars requiring inspection. In view of the large number of cars required for the autumn traffic special work had to be restricted, skilled labour had to be called in from other departments, and temporary time workers were appointed in order to cope systematically with the greater volume of defective freight cars. By raising the number of hours worked per day per head and by adopting measures of organisation necessary in connection with the work, it was possible to effect a considerable reduction in the number of cars awaiting repair when the autumn traffic set in. 5500 timber cars, which were not needed for their special purposes at the time, were transformed into service cars to meet the temporary emergency, so that the O cars running on service trains could be placed at the disposal of the general traffic.

The new regulations for the full settlement of operating accounts in the Reichsbahn repair shops have been completed and will come into force on January 1, 1928 in eleven workshops (Berlin-Niederschöneweide, Chemnitz, Esslingen, Frankfort/Main, Gotha, Ingolstadt, Leinhausen, Oels, Opladen, Schwetzingen and Tempelhof).

The workshops at Ratibor, Hoyerswerda, Brunswick (Old), Eschwege and Mainz together with the departments for passenger cars in Cottbus and Meiningen and the department for freight cars in Lauban were closed down and the staff required for the repair of rolling stock was further reduced.

By means of the careful development of piece-time work and enquiries into the individual working processes in the repair of rolling stock it was possible to effect a further reduction in the consumption of materials and spare parts. The enquiries also resulted in the restriction of stocks of materials and spare parts.

On October 15, 1927 the workshop for the electric trains of the Berlin urban and suburban lines in Berlin-Niederschöneweide was put into service, after having been constructed in the short interval of one year. The old principal workshop in Brunswick was closed and the new repair shop for locomotives in the same town was put into service. In addition to a few small buildings the erection of the new works in Dessau for electric locomotives and the extension of the repair shops in Freimann near Munich were facilitated by the granting of considerable building instalments.

C. CONSUMPTION OF MATERIALS

The better organisation of supplies of materials as regards stocks of working materials, workshop materials and spare parts for rolling stock has made further progress resulting in a reduction of stocks.

The supply of spare parts was again revised and a detailed inventory was established for new spare parts on the same detailed system previously established in the case of materials, so that the utilisation of the spare part inventory can begin next year.

The technical terms of delivery in respect of workshop and operating materials were further unified for a number of materials and adapted to the most recent results obtained in research and manufacture.

Innovations in the case of materials resulted in frequent and detailed experiments. For instance copper coated steel was experimentally introduced for covering plates and girders in view of its greater resistance to rust, and greater protection against rust was provided by the use of paints which fill up the pores and are thus more economical. Extensive experiments were made in the use of cellulose paints on passenger and express

cars, which effected a greater saving through the use of the spraying, but the considerable differences in the quality of individual products became apparent so that the general economic advantages of the process are still open to dispute. In connection with the cellulose paints linseed and woodoil paints for spraying were tried and in connection with them experiments were also made in the use of cold rolled hollow drawn steel for the covering of passenger and express train cars for the purpose of testing their serviceableness.

The use of emulsion oil was continued on a larger scale and has further proved itself economical. In the case of stuffing box packings cast iron packings have proved successful on a large scale.

Steel-tied bronze axle brasses, of which a third new type has also been introduced experimentally, were fitted in large numbers on 20-ton freight cars. At the same time considerable numbers of new templated axle boxes were manufactured and old cast steel axle boxes were templated for use on freight cars.

The following experimental laboratories owned by the railway company carried on research work in respect of materials, and among the work done by them the following deserves special mention:

<u>Mechanical laboratory of the Reichsbahn Central Office in Berlin</u>:

Research into tensile strength of heated screw iron; development of tests of the capacity of carbon brushes; development of technological experiments for testing compressed nut iron; extensive research into the continuous tensile strength and signs of fatigue more particularly in materials for boiler construction and silicum steel;

<u>Chemical Technical Laboratory in Brandenburg West</u>:

Further development of rapid tests for painting materials; extension

of experiments to include other materials exposed to the effects of the atmosphere;

Workshop departmental Laboratory in Brandenburg West:

Tests of shearing steels and hard metals, grinding machines and grinding plates, also files and boring oils;

Laboratory for axle metals in Göttingen:

Further development of accurate casting process for rolling stock axles; research into mechanical lubricating apparatus for passenger cars and the special requirements of axle brasses on cars constructed to carry heavy loads; tests of axle brasses, roller bearings and work in connection with lubrication;

Laboratory for welding in Wittenberge:

Development of procedure for the welding of cross-head guides, locomotive wheel tyres; experiments with welded supporting gear in conjunction with the application of welding on the permanent way.

D. FUEL, HEAT AND ENERGY

The measures adopted for testing the capacity and quality of fuel have proved satisfactory and have been further developed. By means of the extension of fuel laboratories and their improved equipment, the number of tests carried out on fuel was raised. A number of coal trial trips were made in order to test the suitability of different types of fuel for locomotives. Comparative experiments in evaporation were carried out on stationary plant and works, in order to discover the most economical types and kinds of fuel. These experiments have led to certain changes resulting in economies.

The systematic extension of the measuring system has promoted the supervision of the output of heat and power of the plant and works in

operation. The equipment of the laboratories for dealing with fuel, heat and energy was improved, as also the equipment of plant and works with measuring instruments. The system of granting bonuses to firemen in boiler houses has proved satisfactory.

The electrical lighting of the railway was improved in accordance with modern technical inventions by the further introduction of screened lamps with a saving of energy.

The general terms for the delivery of electric apparatus etc. to the German Railway Company have been revised. In addition uniform models have been drawn up for statistics on energy and for book-keeping purposes.

VII. PURCHASES

The favourable development of receipts during the business year under review not only enabled the programme of constructional work and purchases to be carried out systematically until the winter set in, but in addition allowed of the occasional extension of the aforesaid programme. Great strides could therefore be made in constructional work and the purchases were effected on a fairly large scale. The programme of constructional work and purchases reached a total value of about RM 1.8 milliards. By placing its large orders the German Railway Company played an important part in reducing unemployment and stimulating economic activity.

Not until the end of the year was the Company obliged to restrict its purchases and to postpone new purchases in so far as they were not absolutely urgent.

To the extent permitted by its funds the Company endeavoured to assist industry to equalise the degree of activity in the face of economic fluctuations. In periods when industry was less well occupied the Company endeavoured to assist by the placing of orders and to stimulate business in this way; at other times when the industrial world was better supplied with orders from other quarters the Reichsbahn withheld its own orders as much as possible, save in cases of urgent requirements. In this way it

promoted the rational functioning of industry and the reduction of general overhead costs.

Towards the end of 1926 purchases of locomotive coal had declined considerably owing to the general scarcity, so that stocks of this fuel diminished to a great degree. With a view to building up stocks again, large orders were placed with the coal industry which was able to meet them without any difficulty. When stocks of coal were once again normal at the end of April 1927, the Company decided on the request of the delivering firms to accumulate supplies during the summer months in excess of its normal requirements. In this way larger sales were ensured to the coal industry at the time when the general demand was on the decline, and simultaneously the calls made upon the car park for the transport of service coal were successfully reduced during the heavy autumn traffic. By the end of the year stocks of coal were once again normal.

During the business year 1927 large quantities of workshop materials, tools and spare parts were acquired following the considerable reduction of stocks in the previous year.

By means of further rationalisation of the workshops and the rational distribution of orders among the works concerned, it was possible to raise the quality of the products purchased still further and at the same time to reduce the cost in certain cases.

Although the programme for the renewal of track in 1927 was extended from 3,600 km to cover 4,136 km, it was possible to supply all the departments in time with the necessary materials for carrying out the work.

In November 1926 orders for a total of 950,000 tons of steel material had been placed with the association of steel works for delivery by the end of December 1927; these orders sufficed to furnish the balance

of material required in 1927 and to cover part of the requirements in 1928. The materials in question have been delivered at the time of writing with the exception of a relatively small quantity. In order to meet the further requirements of the business year 1928, another 280,000 tons were ordered from the steel works association for delivery by the end of May 1928. As the programme of constructional work in 1928 had provisionally to be restricted to 2,600 km of renewals of track, owing to financial reasons, the orders placed will suffice to meet the Company's requirements in 1928. Orders to a corresponding amount have been placed with the small iron fittings industry.

Wooden sleepers were acquired without difficulty, preference being given in principle to German products.

Ballast material was also obtained at favourable prices.

A number of self-discharging ballast cars were put into service for the transport of ballast material from the supplying sources to the place of utilisation. Ballast materials have also been acquired during the winter in advance for 1928, whenever the weather permitted.

Further progress was also made in 1927 with the acquisition of modern machinery and tools for track construction; in particular the number of packing machines was increased.

Whereas in 1926 only relatively small orders for rolling stock could be placed, developments in the business year 1927 permitted of orders for a larger quantity of rolling stock being placed. In addition to a number of steam and electric locomotives together with service cars these orders more particularly comprised passenger cars, motor coaches and trailers, and freight cars.

As the goods traffic continued to grow throughout the first six months of 1927, it was feared that difficulties might arise in connection

with the autumn traffic and accordingly a considerable number of freight cars were ordered. Comparatively few passenger cars had been ordered during the last few years and for this reason a considerable number of these cars were also ordered, with a view to adding fresh material to the car park. In addition orders were placed for the motor coaches and trailers required for the electrified Berlin and suburban lines, and which are to be delivered in 1927 and 1928. In order to give the firms responsible for constructing rolling stock a reasonable time for the completion of orders, a considerable number of passenger and freight cars together with 100 steam locomotives were ordered as early as 1927 for delivery in 1928. These orders were largely for standard types of rolling stock, but they also included a considerable number of large freight cars and ballast cars. The orders for almost all these cars were placed with the firms belonging to the association of German car builders.

The market was generally favourable for the sale of old materials and in particular of scrap iron.

Discarded rolling stock was sold to private railways and private firms or disposed of under scrap iron contracts.

VIII. MANAGEMENT

1. Organisation

Further progress was made in 1927 in the uniform organisation of the German Railway created from the former State Railways.

Practical collaboration in past years had already eliminated many differences and in recent times uniform administration was furthered by the regular bi-monthly meetings of the Chairmen presided over by the General Manager. Accordingly after seven years operation the Reichsbahn has been able to introduce joint regulations for the Reichsbahn

Administrations, which contain uniform directives for the conduct of business and work. The aforementioned regulations clearly define the position and duties of the Chairmen, departmental heads, Dezernenten (heads of sub-departments) and office chiefs. It must be pointed out, as is emphasised in the regulations, that the institution of divisions is not allowed to do away with the direct intercourse between the Chairman and the Dezernent. The latter is responsible for his own sphere of activity; the principal work of the departmental head is to relieve the Chairman in the direction of the Administration (Direktion), to advise him and in addition to assume responsibility for the uniform working of his department.

Special importance as regards organisation attaches to the decentralisation of management, in view of the exceptional size of the Reichsbahn undertaking. For this reason the necessity for far-reaching decentralisation has repeatedly been emphasised ever since the entire railway system passed into the hands of the Reich, and in practice the necessity has been taken into account. The regulations for the Reichsbahn Administrations are also based on this principle. For instance the Chairmen have now been established as the competent authorities for pronouncing final decisions in respect of complaints, experience over a considerable period having shown this to be a practicable arrangement.

One of the principles underlying the organisation of the Reichsbahn is that the Reichsbahn Administration is the supreme authority as regards local management, and that accordingly all matters which are not explicitly reserved to the General Manager and the Central Administration, or to the Reichsbahn Central Office or the Reichsbahn Offices, come within the sphere of the Reichsbahn Administration. (In Bavaria conditions are somewhat different, as the group administration and the central offices

collaborate on certain matters covering the larger administrative district.) Already in the provisional fundamental regulations on management of 1920 a list of duties reserved to the Ministry of Transport of the Reich was published. The list has now been revised simultaneously with the regulations for the Reichsbahn Administration, while fully maintaining the system of decentralisation, and has been published under the title of "List of Duties reserved to the General Manager and the Central Administration."

Uniform regulations for the heads of Reichsbahn offices are at present being prepared. They will probably come into force on June 1, 1928.

The regulations for the registry service have also been unified. On January 1, 1928 the service regulations in respect of documents came into force for the entire Reichsbahn. These regulations aim at the maximum simplification in the filing of documents and introduce a systematic classification of documents both for the Central Administration, the Bavarian Group Administration and all Reichsbahn Administrations and Central Offices. In this way it has been possible to effect a drastic reduction and simplication of entries with regard to the correspondence exchanged. Where entries with regard to letters are made, if at all, they are always card indexed. Extensive use has also been made in other directions in the way of modern developments in the organisation of office work.

2. Statistics

Apart from general organisation statistics have been developed still further with a view to keeping a systematic record of all business. In this connection the efforts of the Reichsbahn were directed towards the utilisation of mechanical means for compiling statistics. For example the loose leaf card system was permanently introduced in the following departments:

Operating returns, train-, car axle-, locomotive-kilometers;

Accounts for hiring out cars, viz. traffic on foreign railways;

Calculation of bonuses to locomotive staff for economising material;

Accounts in respect of purchase and distribution of service coal;

Accounts in respect of contracts placed by the Central Offices;

Accounts in respect of sales of old materials by the Central Offices;

Adjustment in respect of services rendered by train and locomotive staff, as between the Reichsbahn Administration for the settlement of accounts.

The loose leaf card system has been introduced experimentally:

For goods traffic accounts (for Reichsbahn Administrations Elberfeld and Stuttgart internal and exchange traffic), as from January 1, 1928 for internal traffic within the areas controlled from Karlsruhe and Frankfort/Main (Reichsbahn Administrations Frankfort/Main and Mainz);

For dealing with the clothing club accounts (Reichsbahn Administrations Cassel and Cologne);

For dealing with charges on salaries of officials (Reichsbahn Central Office Berlin);

For inspection of stocks and accounts in connection therewith (operating accounts) in the case of the principal stocks of sleepers (as from October 1, 1927 at the Reichsbahn Central Office);

For the operating accounts of the chief department of materials for constructional work (at the Reichsbahn Administration Berlin as from November 1, 1927).

It is proposed to adopt the loose leaf card system in the following departments:

Accounts in respect of deliveries of crushed stone (for the time being at the Reichsbahn Administration Cassel);

For determining compensation for expenses incurred by train staff;

Operating accounts of the Reichsbahn Repair Shops;

Statistics of traffic returns (tariff ton kilometers, statistics of conveyance of goods).

At present the German Railway Company possesses 64 tabulating machines, 75 sorting machines and 666 punching-bears with keys.

The regulations for general railway statistics (Allgemeine Eisenbahn Statistik = Allsta) have been revised to provide a skeleton on which all statistical regulations can be based.

Every effort is being made to restrict, simplify and amalgamate the statistics and records of a statistical nature compiled by the Reichsbahn. Extensive work in this direction is in hand.

3. Auditing of Accounts of the German Railway Company

The returns and accounts of the Reichsbahn together with the balance sheet and the profit and loss account were again audited in 1927 by the Chief Audit Office or the Subordinate Audit Offices. As on previous occasions the examination of the books was in the main objective and allied as closely as possible to the conduct of business. Satisfactory and positive results were obtained more particularly in those cases in which the decision of the management was taken immediately following the auditors' remarks, so that the observations could be rapidly disposed of. Naturally this is especially important in all those cases where such decisions do not merely apply to a unique occurrence (which is therefore dealt with once for all) but affect the conduct of business in future. The preventive steps taken by the auditing department must be given a prominent place when

judging the economic successes of the Company, although the value of these steps very often cannot be expressed in figures.

4. The Reichsbahn and the Public

By means of repeated explanations as to the individual spheres of activity of the Reichsbahn, by means of pamphlets and lectures and close collaboration with all organs of publicity it has been possible to awaken the public to an understanding of the reasons underlying the Reichsbahn's actions.

The press service was further reorganised and as always great importance was attached to keeping closely in touch with press organisations.

The official publication "Die Reichsbahn" has been further enlarged and enjoys growing attention both at home and abroad.

In 1927 the Reichsbahn again made use of the film with the definite object of advertising its traffic and of furthering its educational schemes. New advertisement films illustrate districts which are still little known to travellers or newly created routes.

In addition several new educational films were manufactured in 1927 illustrating such subjects as "the freight car service", "the shunting service" and "the mechanisation of painting in the Reichsbahn repair shops." Other films show instructive large scale constructional work in its individual stages.

The Reichsbahn advertisement and educational films are shown in theatres and schools and before associations in Germany and abroad.

5. Exhibitions

In its efforts to make its organisation as widely known as possible, the German Railway Company participated in a number of exhibitions of which

the following may be mentioned:

the exhibition entitled "Modern office organisation in public administrative departments" in Düsseldorf,

the advertising exhibition for excursions and travel entitled "The Weekend" in Berlin,

the annual exhibition of German work "Paper" in Dresden,

the exhibition entitled "Traffic and the Police" in Gelsenkirchen, at which the Reichsbahn staged a remarkable special exhibition. In addition to illustrating the combined vital interests of transport undertakings, the police forces and the economic interests of the country, this special exhibition showed very attractive models illustrating the operation of the railway, some of which were designed to work, thus rendering the exhibition particularly fascinating. It was primarily designed to advertise the Rhine-Ruhr district, but its appeal extended far beyond the district in question and attracted many thousands of visitors from more distant places.

the "Working Materials Congress" in Berlin with its exhibition, illustrating modern technical achievements together with important practical experiments.

6. <u>The Reichsbahn and Foreign Countries</u>

Visits from foreign railways to inspect the Reichsbahn's plant show a further pronounced increase. Altogether 741 foreigners were the guests of the Reichsbahn in 1927.

Of the greatest interest to the majority of the foreign visitors - apart from the big passenger stations such as Leipzig - were the equipment of the repair shops, the electrically operated lines and the modern shunting arrangements at Hamm.

A number of foreign educational tours to Germany took place.

Higher officials of the Reichsbahn also studied railway plant abroad. Members of the Central Administration took part in the tour of the United States organised by the German Ministries and Traffic Organisations. 90 officials of the Reichsbahn made a tour of inspection in England. Railway officials were exchanged between the German Railway Company and foreign railways for the purpose of studying foreign railway methods. At present three Reichsbahn officials are with North American Railway Companies, one official is with an English company, and one official is with the Brazilian State Railway, whereas one English and two Brazilian railway officials are working with the Reichsbahn.

The International Railway Association was very active during the past year. In addition to numerous discussions in sub-committees and to the ordinary meeting of the special branch committees which took place in Stockholm during June, two meetings of the managing committee and an extraordinary general meeting were held.

The special branch committees dealt with questions of considerable interest: viz. travel facilities for groups of pupils and boy scouts; unification of regulations with regard to interruption of a journey; uniform classification of goods; development of international railway statistics; passenger traffic accounts; electric traction; electric lighting of passenger cars; introduction of brake-shoes in two parts; strengthening of couplings; experiments in the protection of telephone wires against disturbing influences from strong current and high pressure cables; improvement of the general enclosures; warning signals at unguarded level crossings; dynamic effect of rolling stock on iron bridges; and automatic couplings.

At two meetings of the managing committee the proposals of the special branch committees were discussed, as also the inclusion of certain

groups, such as special tariff association, in the International Railway Association. Decisions were taken with regard to children's ages for preferential treatment (free conveyance up to 4 years of age, half fare up to 10 years of age); uniform passenger tariff regulations and uniform packing regulations; rebates of payment for goods traffic and heating of trains on electrified lines. It was further decided to recommend to the Governments concerned the adoption for the promotion of technical uniformity of the "conditions governing the introduction of the continuous brake on goods trains" drawn up by the technical committee, and to press for the adoption of the Kunze-Knorr and the Westinghouse brake in international traffic.

At the general meeting (May 1927) the extension of the regulations governing the composition of the managing committee's offices and of the regulations with regard to the inclusion of members in the association was adopted, and membership of the managing committee and the special branch committees was defined anew. In future the managing committee will comprise 19 instead of 14 members, including the chairman and the three vice-chairmen appointed by the former managements.

In October 1927 the European Conference on time-tables and the supply of cars was held in Prague. Following the example of former years international train connections were discussed, existing connections were improved and new ones were agreed on for the time-table 1928/29. The agreement of the International Railway Association in respect of the utilisation of passenger and baggage cars in international traffic (R J C) was overhauled in 1927 and the new version comes into force on May 15, 1928.

In November 1927 the German Railway participated for the first time since the outbreak of the war in an international goods train conference in Budapest, which was attended by a large number of railway administrations of southern, central and eastern Europe. The European goods traffic time-table drawn up by the Reichsbahn (published for the first time with the 1928 summer-time table) of which mention has already been made, is designed to promote the further development and the more rapid working of the inter-State exchange of goods.

Translation 5761.

EP.

I.I. 9.4140 DOC. 294

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 14, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT MAY 1928.

(cf. DOC. 292)

The following is a translation of the balance sheet of the Rentenbank as at May 31, 1928, as published in the Reichsanzeiger No. 137 of June 14, 1928.

	April 30, 1928.	May 31, 1928
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000	2,000,000,000
Rentenbriefe as on 30.4.28 RtM. 1,699,843,000 as on 31.5.28 RtM. 1,199,843,000		
Loan to the Reich	765,942,695.26	750,382,203.76
Outstanding claim (Rentenbank-Kreditanstalt)	59,086,375.06	57,774,103.35
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	99,626.96	98,821.10
Real property of the Bank	300,000	300,000
Miscellaneous assets	3,381,767.28	3,381,767.78

	April 30, 1928	May 31, 1928
L I A B I L I T I E S		
Capital	2,000,000,000	2,000,000,000
Rentenbank notes in circulation:		
in public circulation	625,620,699	610,060,208
under earmark with the Reichsbank	70,082,498	70,082,498
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	157,000	157,000
Credit balance of the Rentenbank-Kreditanstalt	3,237,859.62	1,814,770.61
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	5,980,670.33	5,979,470.33
Miscellaneous liabilities	501,152.85	501,055.45

The figure for Rentenbriefe fell as a result of the destruction of RtM 500,000,000 Rentenbriefe to RtM 1,199,843,000.

In accordance with § 7a of the Law on the Liquidation of Rentenbank notes, a further sum of RtM 15,560,491.50 derived from receipts in respect of interest paid by mortgagors has been devoted to the sinking fund at the Reichsbank, this being the sum whereby the loan to the Reich and the Rentenbank note circulation have fallen.

Since the coming into force of the Law on the Liquidation of Rentenbank notes, the following amounts of Rentenbank notes have been amortised:

RtM.	232,189,096.43	in accordance with	§	7a	of the	Liquidation	Law
"	210,000,000	"	"	"	§	7b	"	"	"	"
"	77,511,198.10	"	"	"	§	7c	"	"	"	"
"	880,334,583	"	"	"	§	11	"	"	"	"

Total RtM.1400,034,877.53

Transl. 5816

797
710

LIST OF THE DOCUMENTS ISSUED BY THE ECONOMIC SERVICE

(continued)

295	July 4, 1928	Germany's economic development during the first half of the year 1928. (Report of the Reichs-Kredit-Gesellschaft, Berlin).
296	July 7, 1928	Programme of new German Government. Address of Chancellor before Reichstag, July 3, 1928.
297	July 18, 1928	The balance sheet of the Rentenbank as at June 30, 1928.
298	Aug. 16, 1928	The balance sheet of the Rentenbank as at July 31, 1928.
299	Sept. 15, 1928	The balance sheet of the Rentenbank as at August 31, 1928
300	Oct. 17, 1928	The balance sheet of the Rentenbank as at September 30, 1928.
301	Nov. 23, 1928	The balance sheet of the Rentenbank as at October 31, 1928.
302	Dec. 20, 1928	The balance sheet of the Rentenbank as at November 30, 1928.
303	Jan. 10, 1929	Germany's economic position at the turn of the year 1928-29. (Published by the Reichs-Kredit-Gesellschaft, Berlin).
304	Jan. 19, 1929	The balance sheet of the Rentenbank as at December 31, 1928.
305	Feb. 2, 1929	Annual report of the Reichsbank for the year 1928.
306	Feb. 27, 1929	The balance sheet of the Rentenbank as at January 31, 1929.
307	March 8, 1929	Budget of the Reich for 1929-30. Address of the General Budgetary Reporter of the Reichsrat, the Finance Minister of the Reich and the general discussion on the occasion of the adoption of the budget by the Reichsrat, March 5, 1929.
308	March 25, 1929	Finances of the Reich. Speech by the Finance Minister of the Reich, Dr Hilferding, on the budget for 1929, made in the Reichstag, March 14, 1929.
309	March 25, 1929	The balance sheet of the Rentenbank as at February 28, 1929.

310	March 26, 1929	Report of the Deutsche Rentenbank for 1928.
311	March 26, 1929	Management and business report of the Deutsche Rentenbank-Kreditanstalt (Central Bank of Agriculture). Fourth business year 1928.
312	April 19, 1929	The balance sheet of the Rentenbank as at March 31, 1929.
313	May 16, 1929	The balance sheet of the Rentenbank as at April 30, 1929.
314	June 5, 1929	Report of the German Railway Company for the fourth business year 1928. (January 1 to December 31, 1928).
315	June 23, 1929	The balance sheet of the Rentenbank as at May 31, 1929.
316	July 6, 1929	Germany's economic position in the first half of 1929. (Published by the Reichs-Kredit-Gesellschaft, Berlin).
317	July 24, 1929	The balance sheet of the Rentenbank as at June 30, 1929.
318	Aug. 29, 1929	The balance sheet of the Rentenbank as at July 31, 1929.
319	Sept. 20, 1929	The balance sheet of the Rentenbank as at August 31, 1929.
320	Oct. 21, 1929	The balance sheet of the Rentenbank as at September 1929.
321	Nov. 17, 1929	The balance sheet of the Rentenbank as at October 31, 1929.
322	Dec. 7, 1929	Recovery or decline? Economic and financial reform in Germany 1929.
323	Dec. 19, 1929	The balance sheet of the Rentenbank as at November 30, 1929.
324	Dec. 19, 1929	Financial programme of Reich Government. Declaration made in Reichstag by Chancellor on behalf of Reich Government, December 12, 1929.
325	Jan. 8, 1930	Germany's economic position at the turn of the year 1929-30. (Published by the Reichs-Kredit-Gesellschaft A.G., Berlin).
326	Jan. 17, 1930	The balance sheet of the Rentenbank as at December 31, 1929.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 4, 1928.

GERMANY'S ECONOMIC DEVELOPMENT DURING THE FIRST HALF OF THE YEAR 1928

(Report of the Reichs-Kredit-Gesellschaft, Berlin)

(Cf. NOTE No. 52)

The Reichs-Kredit-Gesellschaft A.G., Berlin, has published a report on "Germany's Economic Development during the first half of the year 1928", a translation of which follows herewith:

The characteristic of the economic development of the present time is the inherent urge to increase. The growth of the population, the will to raise the standard of living and the progress of technical knowledge are its natural causes. A further political factor in Germany is the reparation burden. All countries and peoples are not subject to this urge to increase in the same manner or to the same degree. Countries with a high standard of living in proportion to their population and its rate of increase or countries with big foreign possessions are in a position to build dwellings and workshops outside their own boundaries; they can export capital and have the foreigners work for them (and for their own benefit) at the same time. On the other hand countries with a lower standard of living in proportion to their population and its rate of increase and countries without foreign possessions are compelled, if they are to satisfy their growing population and its growing requirements, to create houses to live in and places to work inside their own boundaries, and to borrow from others the capital required for the purpose of which they are not themselves in a position to supply. Consequently slow growth is in highly developed countries often a sign of comparatively high prosperity and rapid growth a sign of comparatively low prosperity.

The German economy is expanding within its own boundaries. Amongst the forces which go to accelerate its growth within its own boundaries the increase of the population is the strongest. The German population is increasing at the present time by some 300,000 a year, so that in ten years it will be some 3 millions larger than it is today, and consequently (in spite of the heavy losses in the war) 6½ millions larger than it was - within the present boundaries - in 1914. This represents a growth of some ½ per cent annually of the present population. The rate of increase is much faster in the case of persons of an age to earn their own living and also in the case of households. The increase in the number of households, allowing for emigration, for the period down to 1935 has been estimated at 200,000 at least in each year, that is to say approximately ¼ per cent of the present number of households. In the period immediately preceding the war when the emigration figures were small, the annual increase in the number of households was approximately 190,000. The increase in persons of an age to earn their own living and in households renders necessary in the next few years an expansion of the entire machinery of production and consumption not only to its pre-war extent but beyond. Capital investments to the amount only of the pre-war figure would not suffice to cover even the requirements arising out of the increase of the population.

In addition to the natural annual requirements arising out of the growth of the population there is the further factor - it is the second of the compelling forces of the situation - of the suppressed growth of the decade 1914-1924. The present position of Germany shows that natural development can be dammed over a considerable period but not permanently repressed. The extent of the requirements which are due to this cause cannot be exactly calculated: but some idea may be gathered from the number of households without dwellings.

According to the census of 1927 the number of these was over 900,000, that is to say 600,000 more than in 1914. The deficiency is almost twice as big as the total number of dwellings in such a city as Hamburg or in an entire German State of the size of Baden.

Another important factor which makes for the expansion of the machinery of production is the compelling tendency to technical progress. The tendency is stronger in proportion as a people is obliged to derive its income from its own production of goods and from the sale of its products in competition with the rest of the world, and weaker in proportion as it is able to draw profits from foreign investments. The former case is that of Germany, who is accordingly compelled to accelerate technical progress in order to create a counterpoise to her disadvantages. There is the further consideration that much ground was lost in the matter of technical advances in the years from 1914 to 1924 and has now to be made up.

Lastly there is in Germany a special and particular impulse to expand production in the shape of the reparation burden. As annual payments, in particular annual payments of long or even undetermined duration, can only be paid out of annual earnings and not out of capital or by borrowing, the collection of the reparation payments is dependent in the long run on expansion and improvement of the existing machinery of production. The reparation burden compels Germany, who has been stripped of practically all her profit-earning investments in foreign countries, to accelerate her growth.

Two important consequences follow from this state of things. Germany will continue to be obliged to invest capital inside her own boundaries to an extent exceeding the average annual rate of capital investment before the war and also to an extent exceeding the present formation of capital. Pressure exercised on the formation of capital represents under these circumstances

repression of necessary growth. Further, Germany must organise on the assumption that the supply of capital and the satisfaction of the requirements of her growth will be subject to big fluctuations since she is dependent on the power and the will of foreign capital markets to supply her needs.

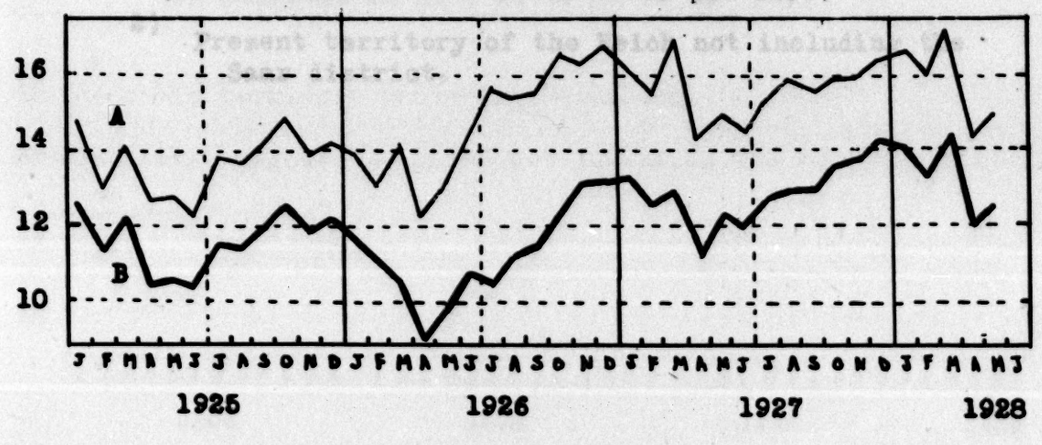
The economic development of the latest period must be viewed in the light of these considerations.

PRODUCTION

In the first quarter of the present year, Germany's industrial production remained on the relatively high level, which it attained during 1927. In the second quarter, a reduction in orders and output became apparent in the case of a number of branches of trade. The downward movement is in some cases mitigated, and in others emphasised by seasonal influences. In certain industries, increased openings on the world market coupled with reduced requirements have provisionally established the balance.

While during the first four months of this year the figures for output and sales of coal at home are still higher than the corresponding figures for the same months of last year, those for May of this year are less than those for May of last year.

A = PRODUCTION OF COAL
B = SALES OF COAL AT HOME
(in millions of tons in terms of pit coal)



COAL EXTRACTED

DATE	Production			Pit Head Stocks			Amount of coal extracted per working day in the Ruhr	
	Coal	Lignite	Coke	Ruhr	Upper Silesia	Lower Silesia	Coal	Coke
	Monthly average in 1,000 tons			At the end of the month				
1913 1)	15,842	7,269	2,886	.	.	.	.	.
1913 2)	11,729	7,269	2,639	.	.	.	378.6	68.4
1924 2)	9,902	10,363	1,977	3,385	221	319	311.0	56.6
1925 2)	11,051	11,644	2,366	6,698	384	323	344.5	61.8
1926 2)	12,108	11,656	2,275	5,208	235	231	370.3	60.8
1927 2)	12,800	12,567	2,688	1,693	266	156	390.3	75.1
1927 January	13,356	12,465	2,675	1,448	83	101	422.1	73.0
February	12,743	12,036	2,530	1,360	107	119	409.4	76.9
March	14,046	12,973	2,695	1,700	210	164	402.6	73.8
April	11,794	11,386	2,481	1,863	291	189	380.4	70.4
May	12,297	12,011	2,635	1,791	342	198	379.2	72.3
1928 January	13,421	14,222	3,046	1,268	378	102	401.8	83.4
February	12,926	13,419	2,897	1,263	387	111	401.2	86.2
March	14,118	14,401	3,006	1,615	399	120	402.1	82.2
April	11,715	12,263	2,713	1,444	407	113	393.6	75.9
May	11,932	12,964	2,738	approx. 2,000			363.5	74.0

1) Old economic territory including Luxemburg

2) Present territory of the Reich not including the Saar district.

CONSUMPTION OF COAL

DATE	Total amount of coal extracted	Imports	Exports		Increase (+) or decrease (-) in pithead stocks	Consumption by home markets			
			Free	For Reparation account		Total		Per head	
						in 1 000 tons	% of 1913	In Kg.	% of 1913
	in 1 000 tons								
	Monthly average in terms of coal								
1913[1]	17,458	1,345	3,863	-	.	14,960	.	.	.
1913[2]	13,345	.	.	-	.	12,325	100.0	205.4	100.0
1924[2]	12,205	1,272	2,059		+ 448	10,970	89.0	176.4	85.9
1925[2]	13,639	781	1,671	1,260	+ 154	11,335	92.0	181.4	88.3
1926[2]	14,698	363	3,487	1,240	- 719	11,053	89.7	175.7	85.5
1927[2]	15,592	611	2,495	1,095	- 196	12,809	103.9	202.4	98.5
1927 January	16,126	525	3,458	1,000	- 929	13,122	106.5	207.9	101.2
February	15,417	576	3,081	960	- 597	12,549	101.8	198.7	96.7
March	16,929	523	3,079	1,100	+ 424	12,842	104.2	203.3	99.0
April	14,324	478	2,437	1,227	+ 15	11,123	90.2	175.9	85.6
May	14,966	519	2,573	1,188	- 622	12,347	100.2	195.2	95.0
1928 January	16,581	698	2,055	1,360	- 178	14,042	113.9	221.0	107.6
February	15,908	656	1,962	1,402	- 84	13,284	107.8	209.1	101.8
March	17,318	748	1,912	1,411	+ 478	14,265	115.7	224.2	109.1
April	14,441	662	1,837	1,378	- 170[3]	12,050[3]	97.5	188.5	91.2
May	14,812	3,798	2,653[3]		+ 600[3]	12,350[3]	100.2	194.0	94.5

1) Old economic territory including Luxemburg.

2) Present territory of the Reich not including the Saar district.

3) Provisional figures.

The pre-war position has been surpassed, owing to the requirements arising out of the growth of the population. Important fluctuations in production have however been observed (in spite of the rigid "syndicalisation" and the British coal strike in the otherwise bad year 1926) since the stabilisation.

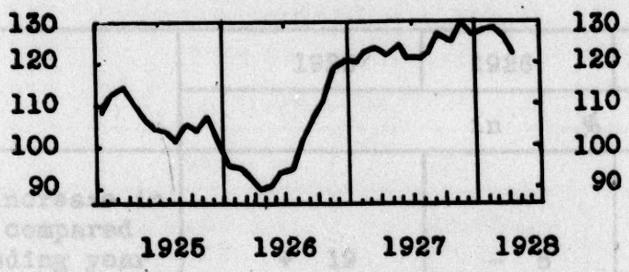
FLUCTUATIONS OF COAL PRODUCTION

PERIOD	Germany			
	Coal		Lignite	
	Maximum yearly increase	Maximum yearly reduction or minimum increase	Maximum yearly increase	Maximum yearly reduction or minimum increase
	in per cent			
1892 - 1900	+ 8	- 3	+ 18	+ 2
1901 - 1910	+ 13	- 1	+ 11	- 3
1911 - 1913	+ 9	+ 5	+ 10	+ 6
	Increase	Reduction	Increase	Reduction
	as compared with the previous year in per cent		as compared with the previous year in per cent	
1925	+ 12	-	+ 12	-
1926	+ 10	-	-	- 1
1927	+ 6	-	+ 8	-
1928 1)	+ 0		+ 10	-

1) Increase in first 5 months of 1928, as compared with the corresponding period of the preceding year.

The index of industrial output established by the Institut für Konjunkturforschung, which reflects the development of production in the case of 14 articles taken as representative, reveals an appreciable fall.

INDEX OF PRODUCTION
(Average 1924/26 = 100)



INDUSTRIAL PRODUCTION
(Average 1924/26 = 100)

PERIOD	1925	1926	1927	1928
January	108.9	95.4	120.3	127.8
February	112.7	95.3	122.0	128.0
March	113.7	92.5	123.3	126.6
April	109.9	89.9	122.3	122.6
May	106.7	90.9	124.3	
June	104.7	93.4	121.0	
July	103.5	94.5	121.0	
August	101.2	101.3	121.9	
September	105.2	106.2	126.9	
October	103.8	111.0	125.0	
November	106.8	118.7	129.3	
December	101.6	120.3	126.5	

The fluctuations are more sharply apparent here. A comparison with the pre-war period is not possible, in view of the fact that there is insufficient authoritative information.

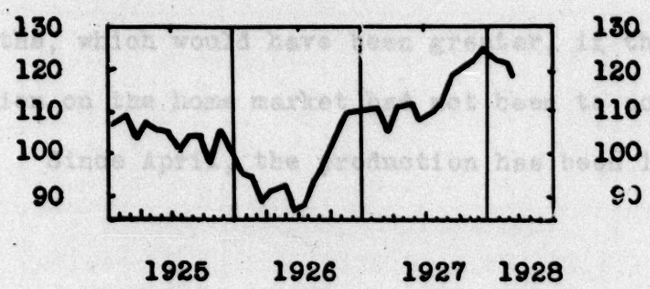
FLUCTUATIONS OF INDUSTRIAL PRODUCTION

	1925	1926	1927	1928
	in %			
Reduction and increase in each year, as compared with the preceding year	+ 19	- 6	+ 23	
Reduction and increase in the first four months of each year, as compared with the corresponding period of the preceding year	+ 34	- 18	+ 29	+ 4

The consumption of electricity for industrial purposes in the first quarter of this year remained at the high level attained about the end of the preceding year. The figures are considerably greater than during the corresponding period of the preceding year, and reveal both the increase in industrial employment and the increased requirements due to the technical progress made.

INDUSTRIAL CONSUMPTION OF ELECTRICITY

(Average 1925/26 = 100)



INDUSTRIAL CONSUMPTION OF ELECTRICITY

PERIOD	Amount of current delivered per working day for 1 Km consumers terminal power (Average 1925/1926 = 100)			
	1925	1926	1927	1928
1st quarter	106.34	92.68	108.95	122.09
2nd quarter	105.62	90.16	110.84	
3rd quarter	103.01	93.03	113.27	
4th quarter	101.30	107.86	122.44	

Here also the considerable fluctuations in amount of current delivered as between one year and another are worthy of note.

FLUCTUATIONS IN AMOUNT OF CURRENT DELIVERED PER WORKING DAY

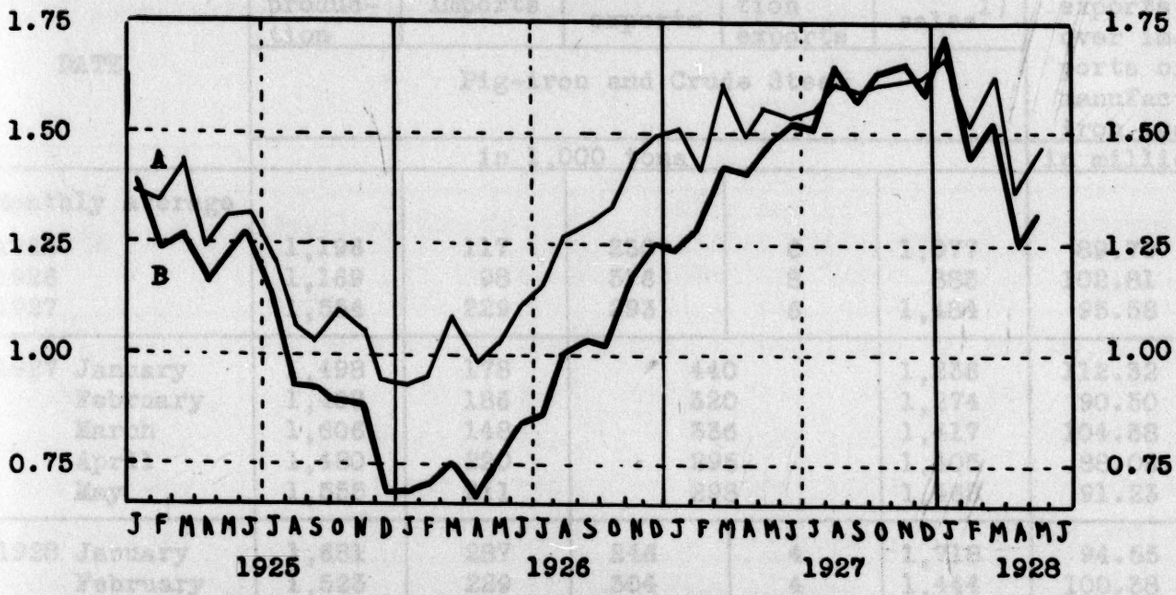
	1926	1927	1928
Percentage of reduction and increase as compared with the preceding year	- 8	+ 19	
Percentage of reduction and increase for the first quarter of each year, as compared with the first quarter of the preceding year	- 13	+ 17	+ 12

The iron industry reveals an appreciable decrease in production during the last few months, which would have been greater, if the sudden and considerable depression on the home market had not been to some extent counteracted by exports. Since April, the production has been less than in the preceding year.

A = IRON PRODUCTION

B = CONSUMPTION OF IRON BY HOME MARKET

(in million tons)



PRODUCTION OF IRON

(Monthly average)

DATE	Total Production				Crude Iron				Crude Steel			
	Total		Per head		Total		Per head		Total		Per head	
	in 1 000 tons	in % of 1913	in kg.	in % of 1913	in 1 000 tons	in % of 1913	in kg.	in % of 1913	in 1 000 tons	in % of 1913	in kg.	in % of 1913
1913[1]	1,832	-	.	-	1,609	-	.	-	1,572	-	.	-
1913[2]	1,198	100.0	19.97	100.0	910	100.0	15.17	100.0	981	100.0	16.35	100.0
1925[2]	1,196	99.8	19.18	96.0	841	92.4	13.57	89.5	1,004	102.4	16.29	99.6
1926[2]	1,169	97.6	18.59	93.1	804	88.4	12.78	84.2	1,026	104.6	16.35	100.0
1927[2]	1,554	129.7	24.55	122.9	1,092	120.0	17.25	113.7	1,359	138.5	21.47	131.3
1927[2]												
January	1,498	125.0	23.73	118.9	1,061	116.6	16.81	110.8	1,309	133.4	20.74	126.8
February	1,408	117.5	22.30	111.7	969	106.5	15.34	101.1	1,234	125.8	19.54	119.5
March	1,606	134.0	25.41	127.2	1,086	119.3	17.19	113.3	1,416	144.3	22.41	137.1
April	1,480	123.5	23.39	117.1	1,052	115.6	16.64	109.7	1,289	131.4	20.37	124.6
May	1,555	129.8	24.58	123.1	1,130	124.2	17.86	117.7	1,378	140.5	21.78	133.2
1928[2]												
January	1,681	140.3	26.45	132.5	1,181	129.8	18.58	122.6	1,469	149.7	23.12	141.5
February	1,523	127.1	23.95	119.9	1,122	123.3	17.65	116.3	1,322	134.8	20.80	127.2
March	1,633	136.3	25.67	128.5	1,170	128.6	18.39	121.2	1,422	145.0	22.35	136.7
April	1,362	113.7	21.40	107.2	1,048	115.2	16.46	108.5	1,161	118.3	18.24	111.6
May	1,464	122.2	23.00	115.2	1,044	114.7	16.40	108.1	1,248	127.2	19.60	119.9

1) Old territory including Luxemburg.

2) Present territory of the Reich not including the Saar district.

CONSUMPTION OF IRON

DATE	Total production	Imports	Free exports	Reparation exports	Home sales[1]	Surplus of exports over imports of manufactured iron goods[1]
	Pig-iron and Crude Steel					
	in 1.000 tons					in million RM
Monthly average						
1925	1,196	117	230	6	1,077	89.70
1926	1,169	98	376	8	883	102.81
1927	1,554	229	293	6	1,484	95.58
1927 January	1,498	178	440		1,236	112.32
February	1,408	186	320		1,274	90.50
March	1,606	148	336		1,417	104.38
April	1,480	220	295		1,405	88.06
May	1,555	211	298		1,468	91.23
1928 January	1,681	287	246	4	1,718	94.55
February	1,523	229	304	4	1,444	100.38
March	1,633	234	342	5	1,520	108.53
April	1,362	232	329	5	1,260	98.81
May	1,464	190[2]	339[2]		1,315[2]	102.79[2]

1) Including deliveries on reparation account.
2) Provisional figures.

The following table reveals the considerable fluctuations in this industry:

FLUCTUATIONS IN THE PRODUCTION OF PIG-IRON

PERIOD	Maximum yearly increase	Maximum yearly reduction or minimum yearly increase	PERIOD	Increase	Reduction
	in per cent			as compared with the preceding year in per cent	
			1925	+ 28.8	
1892-1900	+ 16.6	+ 1.0	1926		- 4.4
1901-1910	+ 17.0	- 8.3	1927	+ 33.2	
1911-1913	+ 13.1	+ 5.3	1928[1]	+ 5.0	

1) Increase in the first five months of 1928, as against the corresponding period of the previous year.

The building industry was less active. The number of building permits is falling. At the present time, the degree of employment is still considerable, as buildings already begun have to be completed.

BUILDING ACTIVITY

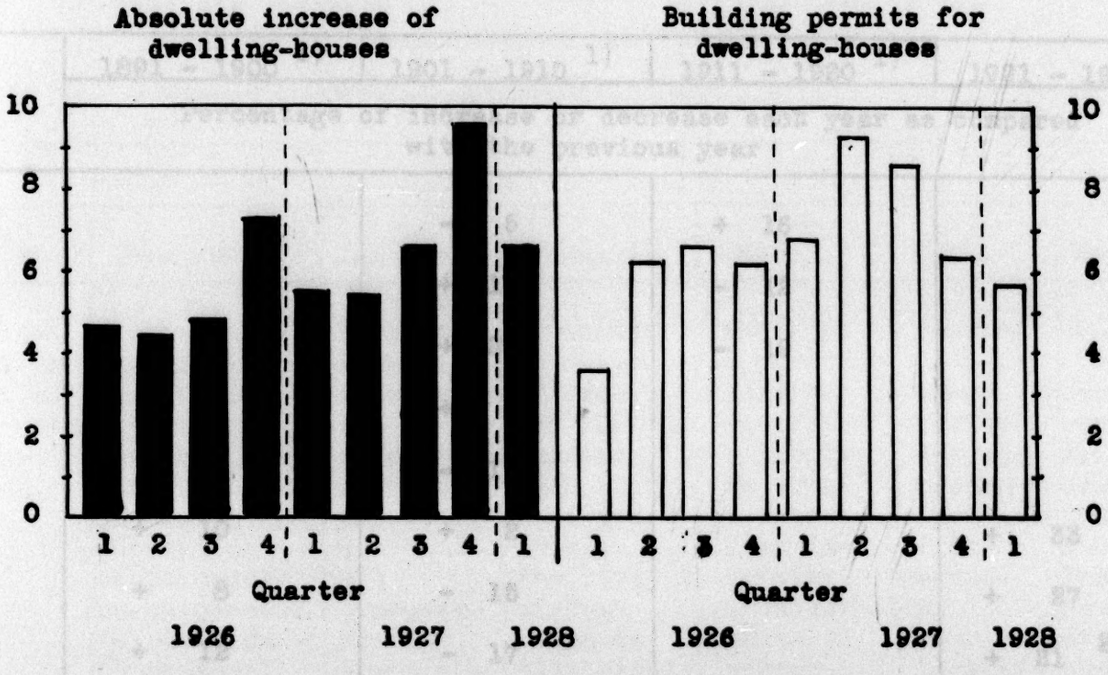
DATE	Absolute increase								
	Dwelling houses			Public and industrial buildings			Apartments		
	in large and medium-sized towns								
	1928	1927	1926	1928	1927	1926	1928	1927	1926
1st quarter	6,623	5,468	4,602	1,244	1,359	1,610	27,859	20,594	15,175
April	1,737	1,658	1,353	459	364	353	7,223	7,341	4,603
2nd quarter		5,402	4,441		1,155	1,329		21,375	16,233
3rd quarter		6,600	4,840		1,244	1,274		25,217	17,689
4th quarter		9,578	7,333		1,810	1,449		37,954	26,258
	Building permits								
1st quarter	5,689	6,719	3,627	2,076	2,463	2,261	20,031	22,417	8,985
April	2,046	2,700	1,613	801	938	655	7,335	8,947	4,321
2nd quarter		9,284	6,192		3,073	2,678		33,378	15,849
3rd quarter		8,593	6,585		3,142	2,674		32,081	16,735
4th quarter		6,373	6,236		3,047	2,721		23,792	16,736

FULLY EMPLOYED IN PERCENTAGE OF THE MEMBERS OF THE TRADE UNIONS

DATE	Building trade			Stone and earths		
	1928	1927	1926	1928	1927	1926
1st quarter	66.7	64.4	57.2	85.5	80.4	61.3
2nd quarter	88.1[1]	91.5	76.2	93.0[1]	93.2	71.1
3rd quarter		96.0	81.8		94.4	71.3
4th quarter		74.2	73.9		87.1	76.7

1) Average April/May.

BUILDING ACTIVITY IN THE LARGE AND MEDIUM-SIZED TOWNS



There has been less fluctuation in the building trade than in pre-war days, when supply equalled demand, so that construction of dwellings was determined by the fluctuations in capital cost. The disproportion between supply and demand is however today so great, that the urgency of the demand is the predominant factor. The influence of capital cost has not been entirely ruled out but it has been reduced, as the latest developments show.

FLUCTUATIONS IN BUILDING ACTIVITY.

	1891 - 1900 [1]	1901 - 1910 [1]	1911 - 1920 [1]	1921 - 1930
	Percentage of increase or decrease each year as compared with the previous year			
1		- 5	+ 16	
2		+ 16	- 12	
3		+ 21	- 19	
4		+ 1		
5		- 11		
6	+ 10	+ 2		+ 33
7	+ 8	- 15		+ 27
8	+ 12	- 17		+ 21 [2]
9	- 2	+ 7		
10	- 8	+ 20		

1) On the basis of calculations by the Institut für Konkjunkturforschung.

2) Increase in first quarter of 1928 as compared with the first quarter of 1927.

During the six months under consideration the activity of the machine industry has been characterised by a falling off in home enterprise and a rise in foreign orders. Here also, the change is observable at the beginning of the second quarter. Although this is a branch of industry which finds foreign markets for a comparatively high percentage of its total output (25 per cent according to the Institut für Konjunkturforschung), it is not yet certain whether the rise in foreign orders will compensate for the losses on the home market. The degree of activity has hitherto remained on the same high level as that attained during 1927. The following extract from the monthly reports of the Verein Deutscher Maschinenbau-Anstalten (Association of German Machine-building Institutions) reveals the

position of the industry :

POSITION AS REGARDS ORDERS AND BUSINESS IN THE MACHINE INDUSTRY.

1927		1928				
July	December	January	February	March	April	May
Continued slight increase in home orders and inquiries.	Slight falling off in home business since October. A slight conjunctural depression would appear to be present in addition to seasonal causes. Foreign trade unchanged. Business activity equal to that of preceding month.	Further reduction in orders and inquiries as against preceding month in all branches. Foreign trade also slightly less. Degree of business activity less by 2% as compared with December.	No change in number of orders and inquiries both at home and abroad. The level of last month is maintained as regards business activity.	There is a partially seasonal revival of activity in some branches. Home inquiries increase and also orders both at home and abroad. Slight increase in business activity.	Renewed fall in home business but increase in inquiries from abroad. No change in business activity.	Further fall in home business. Fewer orders from abroad. The number of orders in hand nevertheless ensures activity of works as before.

The same impression is given by the monthly reports issued by the Chambers of Commerce and covering the leading branches of industry. A varying tendency has supplanted the generally increased activity of the past year.

DEVELOPMENT OF BUSINESS IN IMPORTANT BRANCHES OF INDUSTRY.

Branch of Industry	End of 1927	1928				
		January	February	March	April	May
Coal Mining	Position as compared with past month practically unchanged. Sales of coal and briquettes maintained at high level. General depression prevails on world coal market.	The Ruhr coal market continues satisfactory; the coke market is very good. Increase in sales owing to greater demand at home. In Upper Silesia sales worse.	Seasonal reduction in sales of briquettes which is not counteracted by the increased sales of rough hewn coal. Sales of coke considerable as before.	More considerable falling off. Increased competition of English and Dutch coal on the inland market. The position on the international coal market is very depressed. Improvement of market conditions in Upper Silesia. Demand for coke falling off.	Downward movement in sales of coal ceases. Sales satisfactory. Purchases to maintain stocks against probable increase in prices. Sharp competition with English and Dutch coal on the South German market. Further depression on the coke market.	The coal market under influence of price increase and the Rhine shipping strike, resulting in appreciable reduction in sales. Export trade almost completely paralysed by shipping strike.
Lignite	Trade in lignite for home consumption very favourable owing to the cold weather.	The extraction is maintained at the same level as the preceding month. The demand for briquettes is also satisfactory.	Maintenance of the favourable position of market.	The demand for briquettes is still active. Improved sales to industry compared with previous month.	The position continues to be satisfactory in spite of the reduced sales to industry occasioned by the Saxon metal workers' strike.	Demand for raw coal is rather less, but demand for briquettes for domestic use is as active as ever. Falling off in export of briquettes.

Branch of Industry	End of 1927	1928				
		January	February	March	April	May
Iron industry	Extraction of iron maintained at a very high level. The - already considerable - home demand so increased by the purchases for covering requirements necessitated by the various labour negotiations as to render difficult the execution of contracts.	Position of market generally speaking much the same. Receipts from orders for pig-iron have fallen - as a result of the purchases to reserve and the increase in prices during the preceding month. Business abroad still inconsiderable. The steel works were in some cases not working at full pressure.	The business situation is generally speaking unchanged. Towards the end of the month, a slight slackening is observed. Exports of pig-iron are falling.	Stationary and then slightly reduced home demand. The orders for foreign account - at first plentiful - afterwards fall.	Business activity continues to fall. Orders and degree of employment also fall in important branches of production. The foreign business in pig-iron is rather better.	Accumulation of stocks by consumers against the projected increase in prices. Then slight reduction. Foreign business strictly limited, owing to rising prices.
Machinery industry	The slight falling off in demand on the home market observed since end of October continues - mainly due to seasonal influences. The reserve of orders is however still considerably and such	The degree of employment is generally speaking still satisfactory. In some branches of the industry, however the orders received are inadequate.	Position in regard to home and foreign orders, unchanged.	Slight increase in business activity partly due to seasonal influences (agricultural machinery demand chiefly confined to specialised machinery. Inquiries active in some cases.	Further fall in home business, with further increase in foreign orders. Exports of machinery were 30% greater in the first quarter of 1928 than in the first quarter of 1927. The	Further fall of home demand - in places counteracted by increased foreign orders. Generally speaking the foreign orders tend to fall. Degree of employment unchanged.

Branch of industry	End of 1927	1928				
		January	February	March	April	May
Machinery industry (continued)	as to ensure work for several months. The orders on foreign account have increased.				contracts in hand to date are such as to ensure work for several months.	
Electro-technical industry.	The degree of employment is maintained on the level of the preceding months. The usual seasonal fall is only apparent to a modified extent. Orders are considerable.	Slight fall in orders as compared with the preceding months. The price increase of the most important raw materials renders sales more difficult.	Further not unimportant fall in number of orders received. Industry nevertheless sufficiently occupied.	Industry still well occupied. The standstill or falling off in the number of orders mainly due to seasonal causes noticeable since the beginning of the year has so far only made way for a partial revival of activity	Position unchanged. In some cases slightly increased activity	The slight improvement in business is maintained. Position generally unchanged.
Automobile industry	Business in private cars is at a standstill, while the demand for motor lorries etc.is active.	In the second half of the month business became more active. The prices of raw materials and semi-manufactured products are increasing.	Increased competition between home and foreign makes. Home sales partly unsatisfactory, but a certain revival in demand.	Degree of business activity generally satisfactory, but American competition very noticeable. Slight increase in export business.	Business continues favourable.	Increased demand and sales as compared with previous month. Prices for raw and semi-manufactured products are increasing.

Branch of industry	End of 1927	1928 January	February	March	April	May
Chemical industry	Position satisfactory. The revival on the chemicals market which began in the middle of November continued during the first half of December both as regards home and export business. Less active about the middle of December.	The stagnation which began to be noticeable on the chemicals market in the preceding month gave way to a decided revival of home and foreign business. There was a setback in the second half of the month, especially in connection with exports.	Falling off in demand continues. Varying degrees of activity in the different branches of the industry.	Tendency unchanged both as regards home and foreign business.	Further fall in demand for fine chemicals and chemical preparations	Revival of business activity in first half of month, Later business again declined.
Textile and woollen industry	The wool spinning mills with the exception of the carded wool yarn mills, the cloth industry and the hosiery and knitting yarn factories have considerable turnover. Orders are however falling. The prices of raw products are increasing.	Raw materials markets firm. Worsted yarn business reviving. Cloth factories have sufficient work until March, although several have already been reduced to part-time work.	Position practically unchanged. Raw wool prices continue to increase. Cloth industry still fully employed but orders are falling off.	Active demand and sales in the cloth industry. Degree of employment in carded wool yarn mills declining.	Degree of employment not uniform in carded wool yarn mills. Partial curtailing of working hours in the cloth industry. Sales still satisfactory in cloth trade.	Position of carded wool yarn mills unsatisfactory, but the worsted yarn mills still have sufficient employment. Slow entry of payments.

Branch of industry	End of 1927	1928				
		January	February	March	April	May
Cotton industry	Falling off in orders. The spinning mills are suffering from foreign competition. Prices fall. Number of orders for weaving mills also falling off.	Further falling off in number of orders received. Reduction of working hours.	Slight improvement in the spinning mills.	Unsatisfactory degree of employment in the spinning and weaving mills.	Further deterioration in the position of the cotton spinning mills. Restriction of works. Business calmer in the cotton weaving mills. Export trade unsatisfactory.	Continued unsatisfactory position of the cotton industry. Sales greatly reduced. Orders for the weaving mills only coming in slowly.
Silk industry	Retail trade continues satisfactory. Wholesale trade less active.	Degree of employment satisfactory, but decline in number of orders observed.	Position scarcely changed. Slight revival of activity in the materials industry towards end of month, but nevertheless a falling off in number of orders in wholesale trade.	Demand for dress materials somewhat reserved. Degree of employment variable in the different branches of the industry, but generally unsatisfactory.	Business in dress materials develops satisfactorily. Foreign sales in some articles improve. Divergence of opinion as regards business position. The degree of employment in the artificial silk industry continues satisfactory.	Purchasers in wholesale trade are holding back, but business is very lively in the retail trade. The number of orders and the degree of employment have therefore partially fallen off in the silk industry. The position of the artificial silk industry remains unchanged.

Branch of industry	End of 1927	1928				
		January	February	March	April	May
Linen industry	Further restrictions made in individual spinning mills as compared with the preceding month. Weaving mills sufficiently occupied, but restrictions also expected here.	Rise in prices of raw materials. Sales of yarn somewhat bigger than in the preceding month. Increased demand for woven products towards the middle of January.	No particulars available.	Position of the linen industry as a whole unsatisfactory.	Degree of employment in the spinning and weaving mills unchanged since previous month.	Position of spinning mills still more unsatisfactory. Important firms forced to close down. The weaving mills on the other hand have a slight improvement to report.

Finally the movement of goods traffic on the Reichsbahn reveals a downward tendency in the total industrial turnover. Although the operating returns were still rising during the first quarter and were higher than for the corresponding period of the previous year, there was a tendency to fall from the second quarter onwards.

OPERATING RETURNS OF THE GERMAN RAILWAY

DATE	Ton-kilometers worked 1)		Goods conveyed 1)		No. of cars run per working day	
	In million ton-kilometers	In % of 1913	In millions of tons	In % of 1913	Total	Transport of coal
					in 1,000 cars	
	Monthly Average					
1913 2)	4,286	100.0	33.25	100.0	133.5	64.2
1925	4,664	108.8	31.08	93.5	124.0	51.6
1926	4,918	114.7	31.82	95.7	129.9	52.1
1927	5,407	126.1	36.17	108.8	149.2	59.3
1st Quarter 1927	5,357	125.0	33.77	101.6	135.9	58.9
2nd " "	5,227	122.0	34.36	103.3	148.5	58.4
3rd " "	5,498	128.3	36.92	111.0	152.6	56.7
4th " "	5,784	135.0	39.13	117.7	159.7	63.1
1st Quarter 1928	5,322	124.2	36.80	110.7	143.4	60.3
1927						
January	4,865	113.5	31.85	95.8	128.6	60.9
February	5,254	122.6	32.27	97.1	135.2	59.8
March	5,953	138.9	37.19	111.8	144.0	56.1
April	5,228	122.0	32.64	98.2	145.4	55.7
May	5,327	124.3	35.66	107.2	151.6	60.6
1928						
January	5,219	121.8	35.34	106.3	136.2	62.0
February	5,113	119.3	35.37	106.4	143.4	59.7
March	5,633	131.4	39.70	119.4	150.7	59.2
April			32.45	97.6	149.5	
May					149.1	

1) Not including goods carried freight free.

2) Present territory of the Reich, not including the Saar.

FLUCTUATIONS OF RAILWAY GOODS TRAFFIC IN GERMANY

	1891 - 1900	1901 - 1910	1911 - 1920	1921 - 1930
	Percentage of increase (+) or decrease (-) per annum as compared with the previous year			
1	+ 4.6	- 2.3	+ 6.8	
2	- 0.6	+ 1.9	+ 12.1	
3	+ 5.1	+ 8.7	+ 5.7	
4	+ 4.8	+ 3.1		
5	+ 4.0	+ 7.1		
6	+ 11.6	+ 8.5		+ 5.7[1]
7	+ 7.9	+ 4.4		+ 19.0[1]
8	+ 6.9	± 0.0		+ 6.7[2]
9	+ 6.4	+ 1.7		
10	+ 6.8	+ 8.5		

1) Without coal.

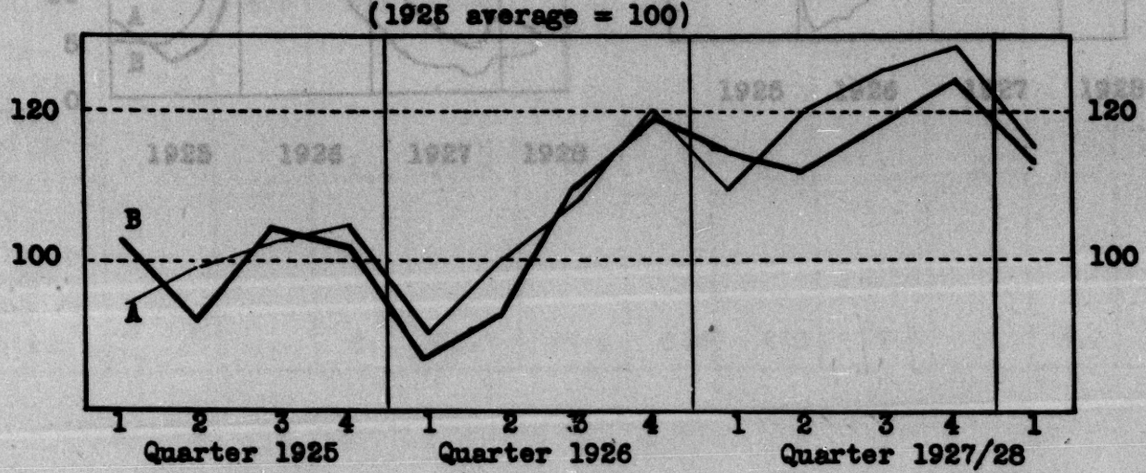
2) Increase during the first four months of 1928 as compared with the same period of the previous year.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

A = Number of cars run per working day

B = Goods traffic

(1925 average = 100)

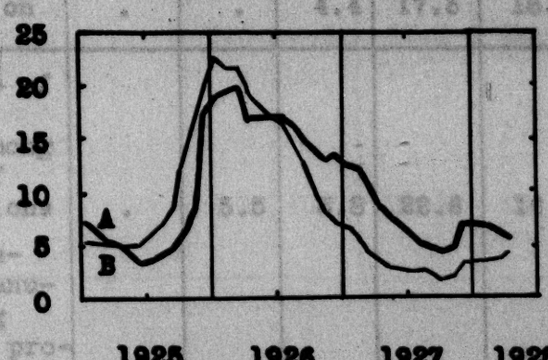


The development on the labour market during the opening months of the present year resembles that of the preceding year. Following the customary increase of unemployment during the winter months, came a rapid and equally important improvement. The number of employed at the end of the first quarter was apparently rather in excess of that at the corresponding date of the preceding year. In April however there appeared for the first time an increase in the number of part-time workers and a falling off in the possibilities of employment for female labour, which were not due to seasonal influences but to trade conditions. In May the position became still worse for these two categories of workers.

PERCENTAGE OF UNEMPLOYMENT AMONG MEMBERS OF TRADES UNIONS

A = Unemployed (not including building and textile workers)

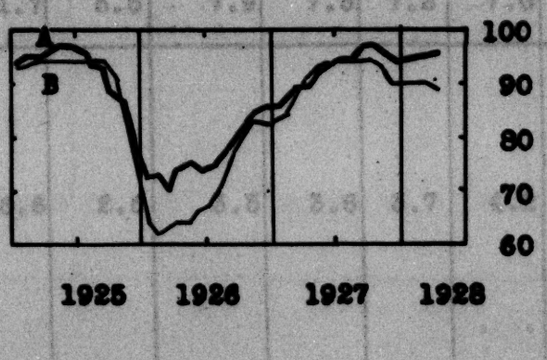
B = Part-time workers



PERCENTAGE OF WHOLE-TIME WORKERS AMONG MEMBERS OF TRADES UNIONS

A = Industry manufacturing means of production

B = Industry manufacturing goods for consumption



THE LABOUR MARKET

	1913	1925		1926		1927		1 9 2 8				
	Former territory of the Reich	Jan.	July	Jan.	July	Jan.	July	Jan.	Feb.	March	April	May
Percentage of employed as compared with 1.1.1925	.	100.0	107.4	92.3	98.0	94.1	110.0	103.4	104.2	105.8	109.5	.
Applications per 100 posts	161	314	175	797	578	648	253	443	425	344	316	.
Percentage of unemployment among members of trades unions :	2.9	8.1	3.7	22.6	17.7	16.5	5.5	11.2	10.4	9.2	6.9	6.3
in the industry manufacturing means of production	.	.	3.6	28.4	20.5	21.6	5.9	14.3	13.2	11.5	7.7	6.8
in the industry manufacturing goods for consumption	.	.	4.4	17.3	18.3	11.7	5.5	7.9	7.5	7.2	7.0	7.4
Percentage of part-time workers among members of trades unions	.	5.5	5.8	22.6	16.6	6.6	2.6	3.5	3.6	3.7	4.2	5.0
in the industry manufacturing means of production	.	.	3.1	21.3	15.4	6.5	2.1	2.6	2.4	2.2	2.5	3.0
in the industry manufacturing goods for consumption	.	.	9.1	33.7	26.5	8.6	4.0	7.1	8.1	8.7	9.9	11.9

THE LABOUR MARKET (continued)

	1913	1925		1926		1927		1928				
	Former territory of the Reich	Jan.	July	Jan.	July	Jan.	July	Jan.	Feb.	March	Apr.	May
Number of persons in direct receipt of unemployment relief including those in receipt of emergency relief in thousands, at end of month :	.	593	197	2,031	1,652	1,965	633	1,561	1,452	1,208	892	762
of which: male	.	552	175	1,773	1,328	1,675	501	1,336	1,243	1,016	716	585
female	.	41	22	258	324	290	132	212	209	192	176	177
Number of persons in direct receipt of unemployment relief per 1,000 of the population :												
a) German Reich	.	9.5	3.2	32.6	26.5	29.3	7.3	21.4	19.8	16.2	11.7	10.1
b) in large towns with a population exceeding 100,000	.	11.1	5.7	39.2	42.9	38.5	15.5	21.8	20.7	18.5	16.7	16.1

THE LABOUR MARKET ACCORDING TO THE REPORTS OF THE PROVINCIAL LABOUR OFFICES IN MAY AND JUNE 1928.

December 1927 to April 1928	The rise in the degree of unemployment due to seasonal influences which set in during the autumn of 1927 came to a standstill with the advent of milder weather towards the end of January 1928. The slow improvement which then occurred was closely connected with the resumption of work in the outdoor industries. There was a certain tendency to stagnation in the other industries. Conditions were noticeably unstable in the industries specially affected by trade conditions.
May : 1st week	The brisk demand of outdoor industries for labour continued. The other branches of industry showed no uniform tendency.
2nd week	The seasonal recovery in outdoor industries continued. Position practically unchanged in the case of the other industries.
3rd week	There was a slowing down in the rate of improvement on the labour market.
4th week	There was for the first time a lull in the seasonal improvement observed since the end of January on the labour market. Taking the outdoor industries, the only demands came from agriculture. Ruhr mining was unfavourable; the other industries give no uniform impression.
June: 1st week	The reduction in the number of unemployed continued slowly. The position of the general labour market still lacking in uniformity.
2nd week	Further decrease in unemployment. Degree of employment varied.
3rd week	Unemployment continued to decrease. The demand for labour came again in the first instance from agriculture, which continued to be in a position to absorb labour. General position not uniform. Lack of stability increased by a partial increase in part-time work.

The changes to be observed in the degree of employment are more noticeable for the time being in the industries manufacturing goods for consumption than in the industries manufacturing goods for production. Adverse seasonal influences are to some extent the cause; but the degree to which both categories of industry react to trade conditions also plays a part. Products of the first category are generally accumulated in the form of stocks, whereas those of the second category are accumulated at a slower rate and in a more stable fashion in the form of buildings and mechanical plant. The former category can therefore adapt itself fairly quickly to any changes on the market and by reducing its stocks recover its liquidity, whereas the latter can only reorganise slowly and improve its position by degrees. The change in the industries manufacturing goods for consumption indicates the beginning of an altered policy with regard to stocks, which is likely to facilitate the procuring of capital for investment and to reduce therefore the burden on these groups. The early increase of unemployment in this branch, which is contrary to much of pre-war experience, shows that speculative over-estimation of selling possibilities is less the cause of the economic activity of the past eighteen months than the increased requirements resulting from a freer supply of capital.

The fluctuations on the labour market are at present more noticeable than in pre-war days.

Applications per 100 posts	1907-1913		1925-1927	
	Maximum figure	Minimum figure	Maximum figure	Minimum figure
	Yearly average		Yearly average	
Total	313	223	632	283
of which Male workers	217	143	734	335

Wages have risen as a result of the fairly favourable degree of unemployment hitherto prevailing. A comparison between the rise in wages and in the cost of living leads to the conclusion that - in so far as the statistics

give any information of real use - the purchase-power of the pre-war wage has been attained and to a small extent exceeded.

HOURLY WAGE OF SKILLED WORKERS[1]

DATE	Weighted average of 12 categories	Metal	Timber	Chemical	Building	Textile	Cost of living
		Industries					
		Percentage of 1913					
1913	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1925	130.8	128.0	142.0	140.9	146.2	134.4	139.6
1926	140.7	138.3	155.2	149.5	160.7	143.2	141.1
1927	146.1	144.2	164.7	159.3	167.8	155.0	147.6
1st quarter 1927	142.0	137.9	156.0	151.7	160.4	151.4	145.0
2nd " 1927	148.7	145.2	164.3	161.9	168.8	152.6	146.9
3rd " 1927	150.2	146.3	167.0	161.9	169.8	158.8	147.9
4th " 1927	151.9	147.6	171.6	161.9	172.1	163.1	150.7
1st " 1928	153.7	149.8	174.8	161.9	172.4	168.2	150.7
April 1, 1928	156.4	153.1	179.9	171.0	172.8	170.2	150.7
May 1, 1928	160.7	153.1	179.9	177.2	180.1	170.2	150.6

1) As calculated by the Statistical Office of the Reich.

The number of labour disputes has again decreased since the increase noted last year. The number of working hours lost still remains under the pre-war average.

Quarterly average	Number of strikes and lock-outs	Number of persons on strike or locked out	Number of working days lost
1899 - 1913	529	58,656	2,001,699
1926	90	23,905	350,625
1927 [1]	213	125,000	1,501,000
1928. 1st quarter [1]	125	65,000	1,125,000

1) Provisional figures.

It is not yet possible to gauge the results of the harvest from which nearly one-third of the workers derives its means of livelihood. The past two years have shown how easily great efforts and premature hopes have been brought to nought by unfavourable weather conditions during the harvesting period. Considerable outlay has also been incurred during the present crop year, from which an increased yield is expected, provided that favourable weather conditions prevail. There has been a renewed rise in the sales especially of artificial fertilisers, with the exception of nitrates, as the following table reveals.

THE CONSUMPTION OF ARTIFICIAL FERTILISERS

Fertiliser year May - April	Nitrates in 1,000 tons N.	Phosphates in 1,000 tons P_2O_5	Potash in 1,000 tons K_2O	Burnt lime in 1,000 tons	Carbonate of lime in 1,000 tons
	Present territory of the Reich				
1913/14	185	555	490	2,400	1,650
1921/22	300	312	775	612	656
1922/23	288	295	695	445	539
1923/24	255	167	538	322	444
1924/25	340	371	663	538	642
1925/26	330	380	620	566	630
1926/27	400	473	717	591	800
1927/28 July-June	approx. 380	approx. 500	approx. 735	649[1]	862[1]

1) May - April.

The most recent reports on the position of sowing differ only very slightly from the reports for the corresponding periods of the preceding year. The weather in June delayed the harvest but somewhat improved the position.

POSITION OF SOWING

DATE	Wheat		Winter Spelt	Rye		Barley		Oats	Potatoes	Sugar Beet	Roots for feeding (Beetroot)	Clover	Lucerne	Pasture land	
	Winter	Summer		Winter	Summer	Winter	Summer							Irrigated	Other
June 1,1913[1]	2.4	2.5	2.4	2.6	2.6	.	2.4	2.5	2.7	.	.	2.7	2.6	2.1	2.6
June 1,1924	2.9	2.7	2.7	3.3	2.8	3.1	2.6	2.7	3.0	2.8	2.9	2.8	2.7	2.2	2.5
June 1,1925	2.4	2.7	2.4	2.4	2.8	2.5	2.6	2.8	2.7	2.7	2.7	2.4	2.4	2.2	2.6
June 1,1926	2.7	2.7	2.5	3.0	2.9	2.8	2.6	2.7	2.8	2.9	2.9	3.3	2.9	2.6	2.9
June 1,1927	2.6	2.7	2.5	3.0	3.0	2.8	2.7	2.9	3.2	3.0	3.0	2.7	2.7	2.6	3.1
June 1,1928	2.8	2.8	2.5	3.1	2.9	3.1	2.6	2.8	3.0	3.1	3.1	3.1	3.1	2.9	3.3

1) Pre-war territory of the Reich.

Because of its dependence on weather conditions, agriculture is not directly connected with trade movements. As however the varying harvest results lead to big fluctuations in the formation of capital, owing to the fixed outlay required, agriculture influences the degree of industrial employment to a very great extent.

CONSUMPTION

Mass consumption, which absorbs by far the greater part of production, is slowly increasing. Calculated on a per capita basis, it appears to have already somewhat exceeded the pre-war level, but if the changed age composition of the population is taken into account, the pre-war level has only been reached. The following figures for the consumption of meat illustrate this development.

CONSUMPTION OF MEAT IN GERMANY

	1913	1926	1927	1928
in kgs. per head				
1st Quarter	12.82	12.31	12.80	14.27
2nd "	12.52	10.90	12.33	
3rd "	12.86	11.50	12.76	
4th "	13.80	13.36	15.53	
Annual consumption per head of the total population in kgs.	52.00	48.07	53.42	
Annual consumption per head of the total population in percentage of 1913	100.00	92.44	102.73	111.31
Annual consumption per head of the meat consuming population in percentage of 1913	100.00	.	94.00	.

The statistics on the weekly wage of workers, which it is true do not take into account the fluctuations due to varying durations of employment, also point to a mass consumption equal to the pre-war consumption. From these statistics, the average pre-war purchasing power of the workers' incomes may be said to have been attained.

WEEKLY WAGE OF WORKERS

DATE	Weekly wage with the regulation working hours		Cost of living
	Skilled Workers	Unskilled Workers	
	Weighted average percentage of 1913		percentage of 1913
1925 monthly average	121.6	134.9	139.6
1926 " "	130.6	145.2	141.1
1927 " "	137.2	153.5	147.6
1928 January 1	141.2	159.0	150.8
February 1	141.5	159.4	150.6
March 1	141.8	159.7	150.6
April 1	144.2	162.7	150.7
May 1	147.9	166.9	150.6

It should be noted that the consumption of alcohol has fallen by more than one-quarter as compared with pre-war days.

The increasing demand for articles of primary necessity continues, and the turnover of the consumers' co-operatives is still showing an upward tendency, although there is the usual seasonal falling off from the fourth quarter to the first quarter of the next year. As however the turnover is not influenced to any great degree by the fluctuating stocks policy nor, within short periods, by an increase of the classes of goods offered for sale, one is justified in concluding that the standard of living of the mass of the population has risen in recent years and is still rising. Taking into account the increased cost of food-stuffs and calculating per head of the members of the co-operatives, it may be said that the pre-war level has now been reached.

TURNOVER OF CO-OPERATIVE SOCIETIES

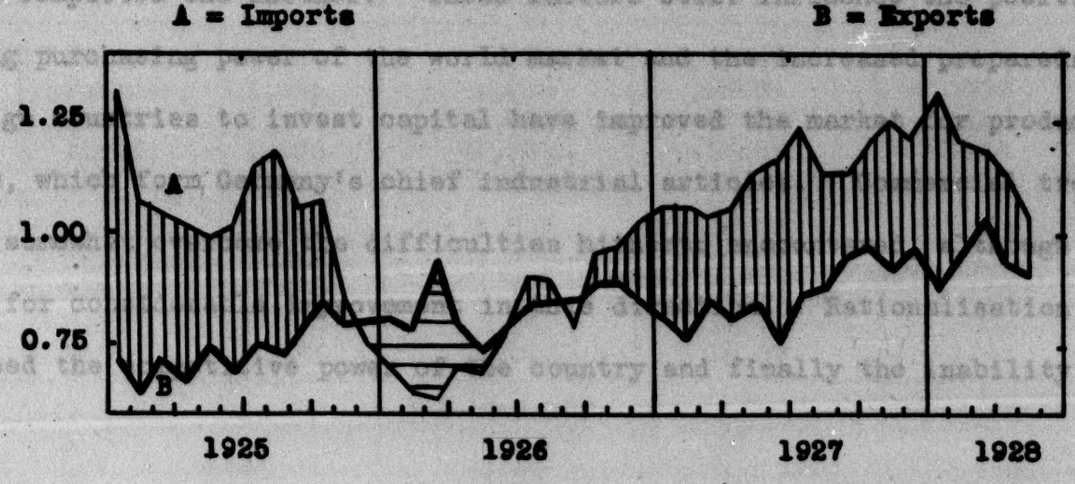
Average turnover per head of the members	1927	1928	1927	1928	Index of cost of food	
	in RM		percentage of 1913		1927	1928
1st Quarter	6.08	7.76	108.6	138.6	151.4	151.3
2nd "	6.50		116.1		151.3	
3rd "	6.74		120.4		152.6	
4th "	8.46		151.1		152.1	

Mass consumption does not usually fluctuate to any great degree. Trade fluctuations are mainly dependent on fluctuations in the utilisation of means of production, whether these serve for new buildings, mechanical installations or the formation of stocks. The development of building activity, the degree of activity in the iron and textile industries and other branches especially dependent on capital investment and the formation of stocks as illustrated above by the presentation of typical facts, together with the development of capital formation which will be discussed later, make it probable that there will be a reduction in the consumption of means of production.

FOREIGN TRADE

Experience alone will show whether exports are sufficient to compensate for the lack of demand on the inland market. The volume of exports has increased since 1924 and further progress has been made during the current six months, but the improvement nevertheless remains far behind the increase in production. Taking into account the depreciation of the currency, the volume of pre-war exports has not yet been reached, and the ratio of exports to total sales is lower than in 1913.

FOREIGN TRADE
(in milliards of RM)



EXPORTS

DATE	Free exports (not including gold and silver)				Deliveries in kind on Reparations account
	Official figures		Revised figures based on data of Statistical Office of the Reich		
	Total	of which the following were manufactured goods	Total	Per capita	
	in millions of RM (1913 M)			in RM(1913 M)	in millions of RM
1913 monthly average	850	562	-	12.65	-
1924 "	544	432	551	8.86	31.6
1925 "	733	552	744	11.91	43.1
1926 "	815	580	827	13.24	52.0
1927 "	852	629	864	13.65	58.9
1927 January	799	563	811	12.85	49.1
February	756	541	767	12.14	43.6
March	842	600	855	13.53	49.9
April	797	597	809	12.80	48.7
May	834	642	847	13.39	49.6
1928 January	862	632	875	13.77	52.9
February	942	690	956	15.04	51.1
March	1,022	761	1,037	16.30	54.8
April	924	682	938	14.74	70.7
May	895	676	908	14.26	51.1

The progress during recent years has been fairly steady and due to factors which completed one another. These factors still influence the position. The rising purchasing power of the world market and the increased preparedness of foreign countries to invest capital have improved the market for production goods, which form Germany's chief industrial articles. Commercial treaties have somewhat overcome the difficulties hitherto encountered, although there is room for considerable improvement in this direction. Rationalisation has increased the competitive power of the country and finally the inability of the home

market to absorb commodities during the period of depression in 1925 and 1926 has forced up exports. Although from its very nature it cannot depend on chance, the German export trade has to make the most of any market opportunities and specially of any increased inclination on the part of foreign countries to invest their capital. This is only possible if foreign markets have been carefully nursed for years; the importance of this task is however receiving more and more recognition.

As it is probable that there will be increased demand on the part of foreign countries, a rise in Germany's exports may be expected, and this is of the greatest importance for an even development of the entire industrial position within the country.

During the past few years the import trade has fluctuated very greatly.

IMPORTS

DATE	Imports (not including gold & silver)			Excess of imports over exports	
	Total	per capita		Not including deliveries in kind	Including deliveries in kind
	Official figures	Revised figures based on data of Statistical Office of the Reich		Revised figures based on data of Statistical Office of the Reich	
	in millions of RM		in RM	in millions of RM	
1913 Monthly average	934	-	13.90	84	-
1924 "	761	723	11.62	172	140
1925 "	1,030	979	15.74	235	192
1926 "	833	808	12.80	- 19	- 71
1927 "	1,179	1,143	18.07	279	220
1927 January	1,094	1,061	16.81	250	201
February	1,095	1,062	16.82	295	251
March	1,086	1,053	16.66	198	148
April	1,096	1,063	16.81	254	205
May	1,173	1,139	17.99	292	242
1928 January	1,360	1,319	20.75	444	391
February	1,250	1,213	19.08	257	206
March	1,230	1,193	18.75	156	101
April	1,175	1,140	17.91	202	131
May	1,086	1,053	16.53	145	94

These fluctuations reflect the changing degree of activity in Germany in respect of capital investments. Whereas an increase in exports is mainly determined by the growth of foreign populations, an increase in imports is mainly the result of a growth of the population of the country itself. The urgent needs of a larger population and the natural endeavour to utilise the machinery of production to the utmost lead in circumstances such as those found in Germany to a rise in imports as soon as there is a possibility of deferred payment for additional imports. In our report on "Germany's economic position at the turn of the year 1927/28", we remarked that Germany is able with the existing plant and the capacity of her workers to manufacture more than she requires of iron goods, machinery, electro-technical products, chemicals and many other commodities, but that she cannot dispense with imports of raw materials and food-stuffs. As it has hitherto not been possible to export the surplus production, a sufficient degree of employment could only be maintained by taking up foreign credits and thus postponing the payment of reparations and a part of the imports, and by absorbing the surplus production at home. The requirements in capital outlay arising out of the growth of the population were so large, that, in spite of the high rates of interest for deferred payment, there was demand at home. When these causes are no longer felt to the same extent, imports will also decrease. The traffic in commodities and reparation payments govern capital transactions with foreign countries, as the following estimated balance of payments shows.

GERMAN CAPITAL IMPORT REQUIREMENTS AND THE PROVISION TO COVER THEM
(Balance of payments - Estimate January - May 1928)
In millions of RM

Requirements (approx.)		Cover (approx.)	
Adverse trade balance including deliveries in kind (rectified figures)	1,200	Foreign loans (so far as figures are available)	870
Reparation payments	731	Other indebtedness to foreign countries (balance)	
Adverse balance of interest payments (over interest received), services and remittances to emigrants and travellers	50	1,230 -	1,330
Increase of visible gold and foreign exchange holdings of the Reichsbank	168		
Total approximately	2,100 -	Total approx.	2,100 - 2,200

A big excess of imports over exports, sufficient utilisation of the producing plant and the use of surplus output for home capital investment are for the time being inextricably connected with one another. We find in this one of the most important features of Germany's position. It is a sign that, in spite of all her industry and desire to improve her position, Germany is not able to satisfy of herself the requirements arising out of the growth of her population and simultaneously to make reparation to the present extent.

THE DEVELOPMENT OF PRICES

The latest developments in prices deserve special consideration, in view of the importance of the export trade and home capital expenditure for production.

DEVELOPMENT OF PRICES

(1913 = 100)

	General index figure	Agricultural materials	Industrial raw materials and half-finished goods	Industrial finished goods	
				Means of production	Articles of consumption
	Monthly averages				
1924	137.3	119.6	142.0	128.5	177.1
1925	141.8	133.0	141.0	135.9	172.4
1926	134.4	129.3	129.7	132.5	162.2
1927	137.6	137.8	131.9	130.2	160.2
1927					
1st Quarter..	135.5	138.5	129.5	129.1	151.3
2nd "	136.6	138.1	130.9	129.4	155.8
3rd "	138.4	137.7	133.1	130.3	162.6
4th "	139.8	136.9	134.0	132.2	171.1
1928					
1st Quarter .	138.4	131.2	133.8	135.2	172.9
April	139.5	133.5	133.8	136.1	173.9
May	141.2	135.9	135.3	136.4	175.0

Whereas during the first three quarters of 1927 the rise in prices was chiefly to be found in connection with commodities for home consumption, and was partly a result of price increases on foreign markets for raw materials, there has been an upward tendency since the fourth quarter of 1927 chiefly in connection with production goods. This not only diminishes export possibilities, but - and perhaps to as great an extent - the possibilities of home absorption. In a country where the rate of interest is higher than that prevailing in competitor countries, a rise in the prices of production goods is a very serious obstacle to capital investment. For this reason, the danger to the national economy of a rise in prices of production goods is greater than before the war.

FORMATION OF CAPITAL AND THE CAPITAL MARKET

The requirements due to the growth of the population are capital requirements, in terms of goods and services invested at long term to bring in a yield gradually. The possibility of being able to dispose of such goods and services for a sufficient length of time and thus being freed from all necessity of payment beyond that entailed for the production of a yield determines the extent to which it will be possible to satisfy such requirements and the time needed. The actual or presumed urgency accompanying any such need - and especially one which has not been satisfied for many years - is a great temptation to exceed this limit. The result is always a set-back, as economies have to be effected in other directions to make up for shortage of yield. The greater the participation of foreign capital, the greater the obligation to obtain a return by competing on the world markets, the dearer often the cost of obtaining capital and the more difficult the obtaining of any return. It may be difficult to forego foreign capital when the need is so great, but it is generally

less productive than home capital for the reasons stated. In countries where an increased yield over short periods is not derived from great natural riches but from the steady industry of the population, and is therefore only possible by gradual stages, as in the case of Germany, the dangers surrounding the obtaining of capital on expensive terms are too great for them to be able for any length of time to remain dependent on the inflow of foreign capital. The formation of capital within the country must therefore remain the most important source from which Germany can procure the funds she requires.

The amount of capital formed in Germany during the first six months of 1928 may be said to approximate the half-yearly average for 1927. Production, consumption and exports appear to confirm this, as does the even movement of savings deposits shown in the following table.

SAVINGS BANK FUNDS

	Deposits				Monthly increase			
	Total		per capita		Total		per capita	
	Savings Banks	Giro	Savings Banks	Giro	Savings Banks	Giro	Savings Banks	Giro
	Deposits in millions of M. or RM respectively		Deposits in M. or RM respectively		Deposits in millions of M. or RM respectively		Deposits in M. or RM respectively	
1913 [1]	19,689		291.38		84.2		1.25	
1925 [2]	1,629.1	875.0	26.0	14.0	85.1	18.3	1.4	0.3
1926	3,090.8	1,119.4	49.0	17.7	121.8	20.4	1.9	0.3
1927	4,665.4	1,148.3	73.5	18.1	131.2	2.4	2.0	0.03
1927 January	3,381.1	1,183.1	53.6	18.7	290.3	63.7	4.6	1.0
February	3,572.8	1,204.1	56.6	19.1	191.7	21.7	3.0	0.4
March ..	3,718.8	1,212.0	58.9	19.2	146.0	7.9	2.3	0.1
April...	3,854.0	1,203.1	61.0	19.1	135.2	- 8.9	2.1	- 0.1
1928 January	5,094.1	1,218.3	80.2	19.2	428.7	70.0	6.7	1.1
February	5,326.8	1,291.4	83.8	20.3	232.7	73.1	3.6	1.1
March....	5,486.7	1,284.5	86.2	20.2	159.9	- 6.9	2.4	- 0.1
April ...	5,644.9	1,297.9	88.7	20.4	158.2	13.4	2.5	0.2

1) Former territory of the Reich.
2) Present territory of the Reich, not including the Saar.

There is likely to be a falling off in the formation of domestic capital, if industrial production slows down further. It is then probable that there will also be less demand for capital as a result of reduced activity in the sphere of capital expenditure. The increased amount due in respect of reparation payments will nevertheless prolong the tension. During the six months under consideration foreign capital has again been utilised, and this to an extent greater than that of the half-yearly average for the preceding year, so far as can be ascertained to date. We gather this in the first instance from the loans taken up abroad, as given in the following table.

FOREIGN LOANS

	1924	1925	1926	1927	1928
	in millions of RM according to nominal amount 1)				
1st Quarter		231	393	90	356
2nd "		1	521 2)	180	742 4)
3rd "		432	407	676	
4th "	864	656	449	712 3)	
Total	864	1,320	1,770	1,658 3)	

1) In the case of the Dawes Loan, the amount actually paid is taken.
2) Including RM 50 millions of preference shares of the German Railway Company.
3) Revised figure.
4) Provisional figure.

ORIGIN OF FOREIGN LOANS

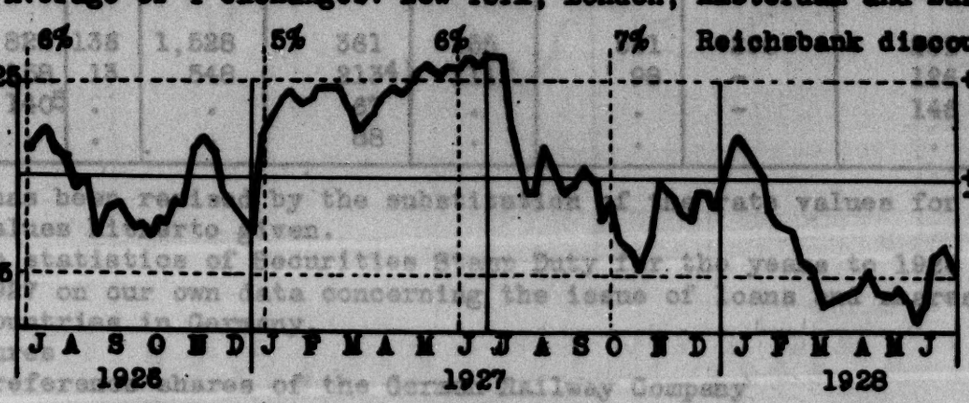
Country	1925	1926	1927	1928 1st six months	1925	1926	1927	1928 1st six months
	in millions of RM				Percentage			
U.S.A.	951	1,259	1,158	805	72.1	71.1	69.8	73.3
Great Britain	122	141	149	61	9.2	8.0	9.0	5.6
Netherlands	153	186	231	136	11.6	10.5	13.9	12.4
Switzerland	69	42	46	39	5.2	2.4	2.8	3.5
Sweden	25	36	43	3	1.9	2.0	2.6	0.3
Other foreign countries	-	106	31	54	-	6.0	1.9	4.9
Total	1,320	1,770	1,658	1,098	100.0	100.0	100.0	100.0

In addition a considerable amount of capital was derived from the purchase of German securities, but the actual figure is not known, as it cannot be expressed in terms of statistics. Short-term foreign loans have also doubtless increased. The result has been such a supply of foreign exchange that for months past the most important foreign rates have been noted below par, in some cases in the neighbourhood of the import gold point, as the following table shows :

DEVIATIONS OF THE RATES FOR FOREIGN EXCHANGE FROM THE GOLD PARITY IN PERCENTAGES OF THE PARITY

Date	New York	London	Amsterdam	Zurich	Total average
1927 1st Quarter	+ 0.40	+ 0.16	- 0.03	+ 0.19	+ 0.18
2nd "	+ 0.46	+ 0.30	+ 0.11	+ 0.20	+ 0.27
3rd "	+ 0.14	+ 0.04	- 0.12	+ 0.06	+ 0.03
4th "	- 0.28	- 0.05	+ 0.11	- 0.21	- 0.11
1928 1st Quarter	- 0.24	+ 0.02	+ 0.03	- 0.39	- 0.14
April	- 0.45	- 0.09	- 0.11	- 0.51	- 0.29
May	- 0.51	- 0.15	- 0.08	- 0.57	- 0.33
June	- 0.40	- 0.07	+ 0.01	- 0.45	- 0.23

DEVIATIONS OF THE RATES FOR FOREIGN EXCHANGE IN BERLIN FROM PARITY IN PERCENTAGES OF THE PARITY
(Average of 4 exchanges: New York, London, Amsterdam and Zurich)



The readiness shown by foreign countries to invest their capital in Germany at short or long term has had a two-fold effect on the German capital market. It has prevented a further shortage of capital, such as might have resulted from the disproportion between capital requirements and the formation of home capital, and it has simultaneously aroused German capitalists to take a greater interest in the acquisition of German securities. This is illustrated by the development of capital issues as well as by the movement of prices on the Bourse.

CAPITAL ISSUES

DATE	Influx of capital into the Savings Banks		Capital issues on the internal capital market						
				German issues					
				Issues of public bodies		Issues of private enterprise			Foreign issues 2)
	Savings Deposits	Giro	Total capital issues	Loans	Communal bonds 3)	Mortgage bonds 3)	Loans	Shares 1)	
					increase in the circulation				
	in millions of marks or reichsmarks								
1907/13	957		3,687	1,171	911		400	732	473
1913/14	1,010		3,674	1,251	741		331	600	751
1925	1,241		1,714	50	40	840	113	661	10
1926	1,461	244	4,580	1,182	466	1,628	339	898	67
1927	1,575	29	4,511	886	346	1,649	161	1,368	101
1926									
1st Quarter	415	132	674	230	40	290	8	99	7
2nd "	318	71	1,215	422	165	337	163	120	8
3rd "	351	36	1,267	274	92	451	129	305	16
4th "	377	6	1,484	256	169	550	39	374	36
1927									
1st Quarter	628	93	2,097	802	203	534	150	378	30
2nd "	304	-54	1,119	66	68	476	10	432	67
3rd "	318	- 7	605	4	36	312	-	249	4
4th "	325	- 2	690	14	39	327	1	309	-
1928									
1st Quarter	822	136	1,528	361	155	561	250	201	-
April	158	13	548	213 4)	111	98	-	126	-
May	140 5)	.	.	67	.	.	-	146	-
June	.	.	.	88	.	.	-	.	-

1) The column has been revised by the substitution of the rate values for the nominal values hitherto given.
2) Based on the statistics of Securities Stamp Duty for the years to 1926 inclusive, and for 1927 on our own data concerning the issue of loans and shares of foreign countries in Germany.
3) Revised figures
4) Including preference shares of the German Railway Company
5) Estimated figure.

THE MOVEMENT OF PRICES

		Share index of the Reichs-Kredit Gesellschaft 1925 = 100	Average prices 10 % Gold bonds Based on figures published in Berliner Tageblatt	8 %	7 %	Indices of the 10 % Gold bonds January 1927 = 166.2	8 %	7 %
1927	January	166.2	106.8	103.1	100.9	166.2	166.2	166.2
	February	170.4	106.9	103.7	103.0	166.3	167.2	169.7
	March	162.0	106.9	102.9	102.3	166.3	165.9	168.5
	April	176.4	107.5	102.6	101.7	167.3	165.4	167.5
	May	165.5	106.7	101.8	101.3	166.0	164.1	166.9
	June	146.1	106.1	101.1	100.3	165.1	163.0	165.2
	July	159.3	106.4	100.9	99.4	165.6	162.7	163.7
	August	160.7	105.9	100.4	98.8	164.8	161.8	162.7
	September	153.0	105.5	99.8	97.2	164.2	160.9	160.1
	October	149.0	104.9	98.4	94.7	163.2	158.6	156.0
	November	129.2	103.5	96.6	92.8	161.1	155.7	152.9
	December	139.7	103.9	96.8	92.2	161.7	156.0	151.9
1928	January	146.8	104.6	97.5	92.0	162.8	157.2	151.5
	February	142.0	104.4	97.1	91.6	162.5	156.5	150.9
	March	139.4	104.1	96.4	90.4	162.0	155.4	148.9
	April	146.4	103.9	96.2	89.9	161.7	155.1	148.1
	May	153.8	103.7	96.0	89.4	161.4	154.7	147.2
	June	152.5	103.7	95.7	88.8	161.4	154.3	146.3

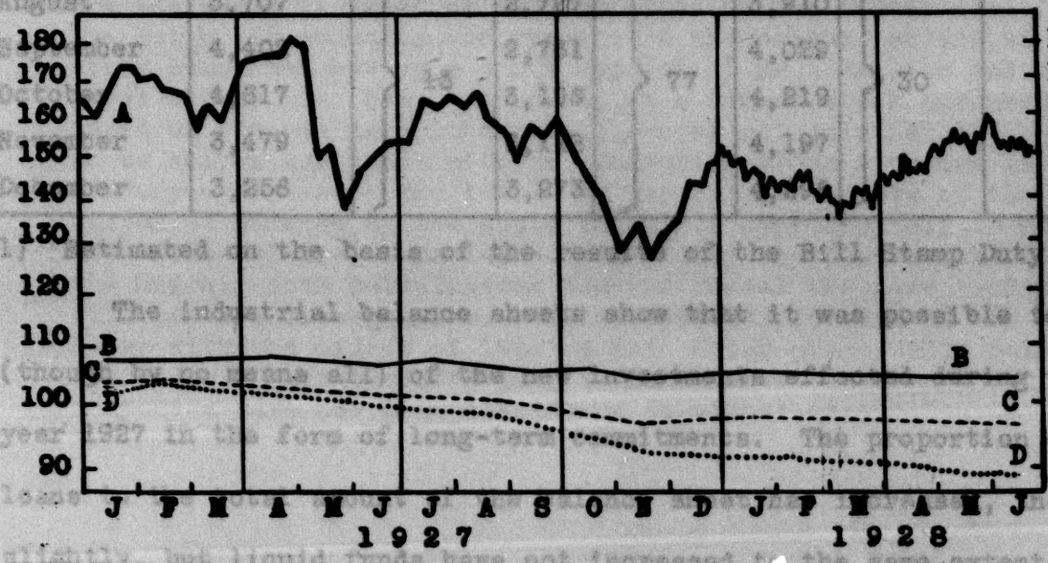
THE MOVEMENT OF PRICES ON THE BERLIN BOURSE

A = Share Index of the Reichs-Kredit-Gesellschaft

B = 10%, C = 8% and D = 7% gold bonds

(Average prices according to the Berliner Tageblatt)

(Logarithmic scale)



The improvement in the relation of capital supply to demand has led to the funding of part of the debts assumed for purposes of capital outlay, and there has therefore been a slowing down in the assumption of short-term commitments, amounting to a decrease in the second quarter, as is shown by the following table illustrating the movement on the bills market and the changes in bank loans and advances.

THE DEVELOPMENT OF SHORT TERM COMMITMENTS

DATE	1925		1926		1927		1928	
	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks
	in millions of RM							
January	3,359		3,012		3,029		4,506	
February	3,321		2,988		3,166		3,964	252
March	3,769		3,153		3,830		4,663	68
April	3,467	139	2,859	23	3,374	139	4,126	47
May	3,746		2,751		3,654		4,246	-18
June	3,887		2,900		3,692			
July	4,041		2,786		3,728			
August	3,707		2,727		3,910			
September	4,402		2,761		4,029			
October	4,617	13	3,196	77	4,219	30		
November	3,479		3,118		4,197			
December	3,256		3,273		4,296			

1) Estimated on the basis of the results of the Bill Stamp Duty.

The industrial balance sheets show that it was possible to finance most (though by no means all) of the new investments effected during the business year 1927 in the form of long-term commitments. The proportion of short-term loans to the total amount of the balance sheet has increased, though but slightly, but liquid funds have not increased to the same extent. The biggest

increase on the assets side is to be observed in the investments, whereas it should be noted that stocks have fallen.

THE DEVELOPMENT OF INDUSTRIAL BALANCE SHEETS[1]

		Gold mark opening balance sheet	1924 or 1924/25	1925 or 1925/26	1926 or 1926/27	1927
		Percentage of the total balance sheet				
ASSETS						
Plant	(Statistical Office of the Reich	.	.	.	42.58	.
	(Reichs-Kredit-Gesellschaft	45.9	43.7	40.3	39.40	41.5
Stocks	(Statistical Office of the Reich	.	.	.	19.23	.
	(Reichs-Kredit-Gesellschaft	15.9	15.3	16.6	12.10	9.7
Bills	(Statistical Office of the Reich	.	.	.	9.69	.
	(Reichs-Kredit-Gesellschaft	19.1	17,7	15.0	14.50	13.2
Debtors and liquid funds	(Statistical Office of the Reich	.	.	.	28.50	.
Debtors	Reichs-Kredit-Gesellschaft	17.9	21.5	25.8	23.90	23.8
Liquid funds	Reichs-Kredit-Gesellschaft	1.2	1.8	2.3	10.10	11.8
	Total :	100.0	100.0	100.0	100.0	100.0
LIABILITIES						
Capital of concern	(Statistical Office of the Reich	78.2	67.9	63.7	60.9	.
	(Reichs-Kredit-Gesellschaft	66.5	62.6	55.7	58.6	53.9
Long-term credits	(Statistical Office of the Reich	2.6	3.1	5.5	9.0	.
	(Reichs-Kredit-Gesellschaft	3.7	5.4	10.1	14.1	16.5
Short-term credits	(Statistical Office of the Reich	19.2	29.0	30.8	30.1	.
	(Reichs-Kredit-Gesellschaft	29.8	32.0	34.2	27.3	29.6
	Total :	100.0	100.0	100.0	100.0	100.0

1) Where the table is based on data supplied by the Statistical Office of the Reich, it contains the results of the balance sheets of all joint stock companies having a share capital of RM 1 million and over or whose shares have been introduced on a German stock exchange. Where based on our own data, the results cover all joint stock companies whose shares are dealt with on the Berlin stock exchange at term or at varying rates. The totals of the balance sheets of the latter companies covered by the table amount to approximately 10 per cent of the totals of the companies considered by the Statistical Office of the Reich; both calculations however reveal the same tendency, although with certain divergencies. The statistics provided by the Reich Office close with the middle of 1927 - a date which practically coincides with the close of the business year 1926. Banks, insurance and participation companies have not been considered in either case.

Turning to agriculture, the following table shows that, in so far as statistics can be obtained, short-term indebtedness has not increased further since the end of 1925 but has indeed decreased in proportion to the total indebtedness. Nor is any further increase since the end of 1926 assumed in the case of the so-called floating credits not touched by statistics.

AGRICULTURAL CREDITS COVERED BY STATISTICS

(Based on data established by the Institut für Konjunkturforschung)

	December 31, 1925		December 31, 1926		December 31, 1927		March 3, 1928	
	in millions of RM	%	in millions of RM	%	in millions of RM	%	in millions of RM	%
Real credits	1,037	32.5	2,120	53.0	3,055	59.4	3.322	61.0
Credits for moderate periods	2,158	67.5	1,893	47.0	2,082	40.6	2,125	39.0
	3,195	100.0	4,013	100.0	5,137	100.0	5,447	100.0

The development of indebtedness is in our opinion a further indication that the activity of the past eighteen months is not to be regarded as speculative over-expansion. Furthermore, the usual accompaniment to over-expansion - the creation of numerous fresh undertakings - is also absent. On the contrary, liquidations exceed new foundations in the current six months, as in 1927.

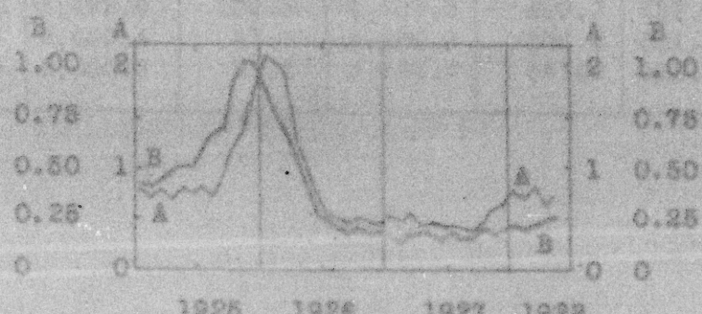
NEW FORMATIONS AND LIQUIDATIONS OF CONCERNS

DESCRIPTION	Monthly average			1928
	1913	1927	1928 1st quarter	April
Joint stock companies				
New formations	15	30	27	32
Liquidations	9	128	83	76
Surplus	+ 6	- 98	- 56	- 44
Limited liability companies				
New formations	326	373	359	315
Liquidations	145	967	897	870
Surplus	+ 181	- 594	- 538	- 555
Other concerns				
New formations	1,127	1,297	1,327	1,313
Liquidations	1,086	2,086	2,139	2,115
Surplus	+ 41	- 789	- 812	- 802

With all due respect for the effort to consolidate, it must not be overlooked that the number of bankruptcies and the total of bill protests have risen during the current half year, although there has been no further increase during the last two months.

A = Number of bankruptcies in thousands

B = Total of protested bills in percentage of the total bills issued three months previously



INSOLVENCIES

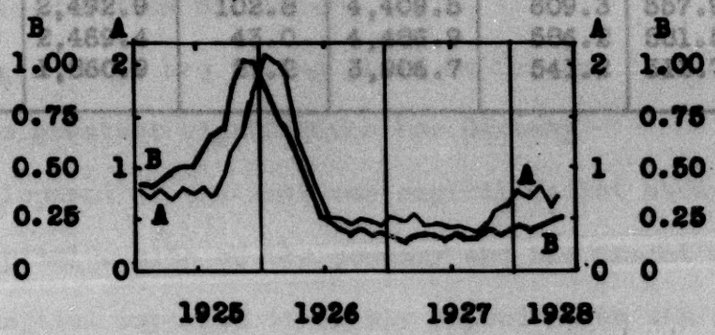
DATE	Bankruptcies Number	Legal supervision (Geschäftsaufsichten) 1)	Bill protests by banks Number	Bill protests by banks Total in millions of RM	By the Postal Service of the Reich Number	Total of bills protested by banks per RM 1,000 of the estimated total bills issued three months previously RM
	Monthly averages					
1913	815	.	.	.	.	.
1925	932	492	15,120	23.6	.	6.36
1926	1,023	653	9,991	13.2	43,427	3.91
1927	472	109	4,607	6.0	42,180	1.71
1927 January	493	93	4,062	5.3	34,600	1.66
February	473	132	3,539	4.4	33,819	1.41
March	557	132	4,107	5.4	38,977	1.65
April	421	123	3,923	5.3	)	1.75
May	464	129	3,867	5.1	) 41,153	1.61
1928 January	766	191	6,604	8.9	)	2.11
February	699	226	6,558	8.4	) 51,832	2.00
March	791	266	7,356	9.4	)	2.19
April	614	239	7,248	10.6		2.35
May	600	264	7,272	9.9		2.50

1) In the case of 1928, compulsory composition (Vergleichsverfahren).

INSOLVENCIES

A = Number of bankruptcies in thousands

B = Total of protested bills in percentage of the total bills issued three months previously



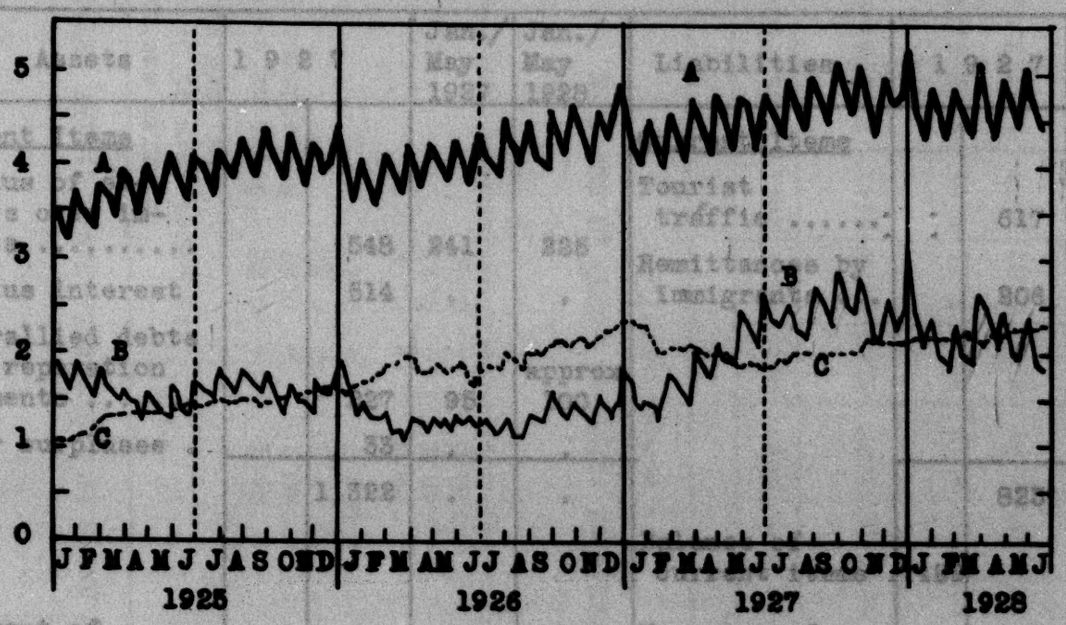
In spite of the increased number of bills in circulation the position of the Reichsbank is more favourable than last year. The tendency to greater calls upon the Bank ceased at the turn of the year, and has recently given place to a reduction in demand. There was a simultaneous increase in the gold holdings. The bank note cover has therefore risen. The Reichsbank may be said to be better armed than it has been for some time against sudden disturbances in credit business or increased calls during the harvest period.

POSITION OF THE REICHSBANK

DATE	Gold and foreign exchange available as cover	Bills	Loans against collateral	Circulation of		Giro liabilities	Note issue reserve (under the Bank Law)	Discount rate %
				Reichsbank notes	Rentenbank notes			
Dec. 31,1924	1,012.8	2,064.1	17.0	1,941.4	1,835.0	820.9	590.6	10.0
June 30,1925	1,415.6	1,691.5	46.5	2,474.4	1,671.9	564.4	1,064.6	9.0
Dec. 31,1925	1,610.6	1,914.8	10.3	2,960.4	1,475.7	697.0	1,066.1	9.0
June 30,1926	1,817.1	1,288.2	143.3	2,971.2	1,387.8	526.9	1,571.3	6.5
Dec. 31,1926	2,350.6	1,828.6	84.1	3,735.5	1,164.1	648.0	241.0	6.0
June 30,1927	1,869.6	2,494.6	146.6	3,815.2	1,017.1	669.5	858.8	6.0
Dec. 31,1927	2,146.6	3,128.7	78.3	4,564.0	716.2	779.1	802.5	7.0
Jan. 31,1927	2,255.8	1,415.0	81.6	3,409.6	1,108.1	574.6	2,229.4	5.0
Feb. 28, "	2,037.8	1,643.8	154.8	3,465.2	1,114.0	539.4	1,629.3	5.0
Mar. 31, "	2,054.7	1,962.7	81.1	3,588.7	1,095.5	616.4	1,548.3	5.0
Apr. 30, "	2,020.8	2,067.5	66.6	3,676.2	1,060.2	581.5	1,375.8	5.0
May 31, "	1,894.1	2,421.2	71.6	3,719.2	1,033.2	699.8	1,016.0	5.0
June 23, "	1,873.1	2,017.4	21.3	3,219.3	942.8	769.5	1,463.5	6.0
Jan. 31,1928	2,161.3	2,372.8	91.2	4,251.2	625.7	497.8	1,152.0	7.0
Feb. 29, "	2,170.3	2,336.3	117.1	4,268.2	630.4	491.0	1,157.5	7.0
Mar. 31, "	2,119.7	2,652.0	84.9	4,513.2	616.0	532.6	786.0	7.0
Apr. 30, "	2,208.6	2,492.9	102.8	4,409.5	609.3	557.9	1,112.0	7.0
May 31, "	2,314.9	2,469.4	43.0	4,486.9	586.2	581.5	1,300.3	7.0
June 23, "	2,307.5	1,860.9	27.2	3,906.7	541.2	512.7	1,862.1	7.0

POSITION OF THE REICHSBANK

A = Circulation of Reichsbank and Rentenbank notes.
B = Calls on the Bank in the form of bills and loans against collateral.
C = Gold and foreign exchange cover
(in milliards of RM).



The formation of capital in Germany is in itself not sufficient to satisfy the requirements arising out of the growth of the population, to pay reparations and to maintain without friction the machinery of production built up on a distribution of labour.

The changes which are taking place on foreign capital markets are therefore of the greatest significance for Germany.

The development of the American capital market shows that, in spite of the great capital wealth of the country and the amount of capital formed, the amount of capital exported is mainly dependent on the amount of the surplus of visible and invisible exports over imports.

The American balance of payments and the American capital exports taken from the calculations and estimates of the American Department of Commerce and compared in the following tables, illustrate this connection.

THE BALANCE OF PAYMENTS OF THE UNITED STATES

(in millions of dollars)

Assets	1927		Jan./May 1927	Jan./May 1928	Liabilities	1927		Jan./May 1927	Jan./May 1928
Current Items					Current Items				
Surplus of exports over imports		548	241	225	Tourist traffic		617	.	.
Surplus interest		514	.	.	Remittances by immigrants		206	.	.
Interallied debts and reparation payments		227	95	approx. 100					
Other surpluses		33	.	.					
		1,322	.	.			823	.	.
					Balance of current items	499			
Movement of capital					Movement of capital				
Imports of capital		977	.	.	Public issues of external loans		1,424	598	559
					Other capital exports		224	.	.
		977	.	.			1,648	.	.
Deficit in respect of capital transactions	671								
		2,299	.	.			2,471	.	.
Deficit		172	.	.					
Exports of precious metals		166	-	229	Imports of precious metals		-	44	-
Readjustments		6	.	.					

The movement of gold and foreign exchange rates, as given in the following table, confirms this supposition.

MOVEMENT OF GOLD AND RATES OF FOREIGN EXCHANGE IN THE UNITED STATES

Movement of gold			Foreign exchange rates (in percentage of divergence from New York parity)	
1927	1st Quarter	+ 96.4	- 0.38	(Great Britain, Germany,
	2nd "	- 40.1	- 0.37	Netherlands, Switzerland)
	3rd "	- 7.6	- 0.21	
	4th "	- 202.7	+ 0.17	
1928	1st "	- 75.6	+ 0.09	
	April	- 45.2	+ 0.21	
	May	- 108.0	+ 0.40	

DEVELOPMENT OF INTEREST RATES IN NEW YORK

(in percentages)

	1927												1928					
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Day-to-day money	4.07	4.04	4.13	4.16	4.37	4.33	3.88	3.56	3.98	3.69	3.58	4.42	4.20	4.30	4.46	5.02	5.59	6.24
Bank acceptances	3.72	3.72	3.68	3.68	3.68	3.68	3.61	2.21	3.19	3.28	3.31	3.31	3.42	3.58	3.58	3.89	3.98	4.10
Trade bills	4.25	4.12	4.12	4.12	4.12	4.12	4.12	3.91	3.87	3.87	3.87	3.87	3.87	3.93	4.01	4.27	4.52	4.77
Bank discount	4	4	4	4	4	4	4	3½ [1]	3½	3½	3½	3½	3½	4 [2]	4	4	4½ [3]	4½

1) As from August 5, 1927. 2) As from February 2, 1928.

3) As from May 17, 1928.

For the first time for years the payments to foreign countries in respect of exports of capital have led to a reduction in America's gold holdings. Measured against her gold reserves, the reduction is small, but it nevertheless amounted in 1927 to almost one-third of the balance of the current items in the Balance of Payments, as estimated by the Department of Commerce, and one-ninth of the loans granted to foreign countries. The percentage is considerably higher for the current six months.

The issues of external loans in the United States fell off during the second quarter of 1928.

DISTRIBUTION OF AMERICAN EXTERNAL LOANS.

BORROWERS	1924	1925	1926	1927	1928 1st Qtr.	1924	1925	1926	1927	1928 1st Qtr.
	Minus conversions. Nominal amount in millions of dollars					Percentage of the total sum				
German Reich	120.8	228.0	328.8	235.5	53.5	13.4	22.2	30.5	16.9	17.8
France	161.2	20.0	-	-	4.8	18.0	1.9	-	-	1.6
Belgium	50.0	50.0	52.0	14.1	4.3	5.6	4.9	4.8	1.0	1.4
Italy	-	116.5	42.9	110.2	39.0	-	11.3	4.0	7.9	12.9
Other European countries	196.6	196.8	96.5	221.6	76.9	22.0	19.1	8.9	15.9	25.5
Canada	122.0	138.1	184.1	281.9	29.8	13.7	13.4	17.1	20.2	9.9
Latin America	129.9	136.3	332.9	365.3	77.8	14.5	13.2	30.9	26.2	25.8
Far East, including Colonies	113.2	145.5	40.7	165.7	15.5	12.8	14.0	3.8	11.9	5.1
Total	893.7	1,031.2	1,077.9	1,394.3	301.6	100.0	100.0	100.0	100.0	100.0

The tension on the American capital market is accompanied by an easing of the British and French capital markets. The following table, giving the British balance of payments and external loans distributed, shows that Britain's

capacity to export capital is much greater than many supposed, and that the British market is on the point of taking a larger share in loans to the countries in need of capital. During the first six months of 1928, British rates of interest have shown a tendency to fall, contrary to the tendency observed in America. The British overseas possessions have profited most by the British external loans; Germany's requirements have hitherto been met only to a very small extent on the British market.

GREAT BRITAIN'S BALANCE OF PAYMENTS, EXTERNAL LOANS AND INTEREST RATES

	1913	1925	1926	1927	1928 Jan. - May
	in millions of £				
Balance of the British balance of payments	181	114 [1]	48 [1]	156 [1]	98 [1]
Long-term external loans	197.6	99.5	122.0	153.0	68.8
distributed as follows:					
British possessions	99.6	69.2	57.5	98.2	41.8
Germany	98.0	6.0	6.3	7.3	3.0
Other foreign countries		24.3	58.2	47.5	24.0
	in per cent				
London private discount rate monthly average	4.39	4.13	4.47	4.24	4.10

1) Including the adjusted item as calculated by Keynes.

It is not easy to express in figures the capital export capacity of France, the third of the great capital-exporting countries. The fact however that the trade balance has for a long time past been kept in equilibrium (there is a small deficit in the current half-year) justifies the conclusion that France's capacity to export capital has been greatly increased by the big surpluses obtained from tourist traffic and interest. To this must be added the receipts on reparation account in excess of the amounts owed by France annually in respect of interallied debts. This capacity has already made itself felt in the development of interest rates for short-term loans. The

French bank discount rate is today the lowest of all the great capital-exporting countries. Now that the state of uncertainty in regard to the currency has been overcome, France's financial strength is likely to show itself in the development of the interest rates on long-term investments also, as already revealed by the movement of the past few months. It may therefore be anticipated, that France will soon resume her place as an important lender and thus render great service in the work of expansion in Europe and overseas.

THE FRENCH BALANCE OF PAYMENTS
(in millions of francs)
(for 1924 according to a statement of the French Government)

Assets	1924		1927	Jan.-April 1928	Liabilities	1924		1927	Jan.-April 1928
1. Current items					1. Current items				
Surplus of exports over imports of goods		926	2,372	-	Excess of imports over exports of goods				525 [1]
Surplus of exports over imports of precious metals		125			Excess of imports over exports from the French Colonies		1,019		
Freight receipts		2,100			Remittances of foreign wage-earners		1,170		
Marine Insurances		140			Interest on foreign investments in France		2,000		
Transit traffic		100			Interest on loans		200		
Interest on French foreign loans		2,375			Annuity in respect of inter-allied debts		2,498	1,370	approx. 560
Tourist traffic		3,200							
Reparation payments		1,600	4,600	1,660					
		10,566			Balance of current items	3,679	6,887		

1) January-April 1927: Surplus of exports over imports 542 millions.

THE FRENCH BALANCE OF PAYMENTS (continued)

(in millions of francs)

Assets	1924		1927	Jan.-Apr. 1928	Liabilities	1924		1927	Jan.-Apr. 1928
2. Movement of capital					2. Movement of capital				
French loans abroad :					French capital exports:				
Government loans	451				Foreign capital issues in France and subscriptions to foreign loans	1,074			
Other loans	1,081	1,512			Other investments (Balance)	4,117	5,191		
		12,078					12,078		

YIELD OF FRENCH FIXED-INTEREST-BEARING SECURITIES[1]

Categories with a yield of:	represent at the middle of the month the following percentages of the whole		
	April	May	June
	1928		
less than 4 %	3.0	2.9	3.4
from 4 - 4½ %	3.8	3.7	3.2
" 4½ - 5 %	4.4	5.6	8.8
" 5 - 5½ %	8.8	12.0	12.8
" 5½ - 6 %	14.3	14.2	18.4
" 6 - 6½ %	33.0	35.9	35.3
" 6½ - 7 %	27.7	20.6	14.2
more than 7 %	5.0	5.1	1.9
Average actual interest	6.04	5.98	5.79

1) The premium is converted into annual interest.

A study of the position on the markets of the leading capital-lending countries as a whole appears to justify the conclusion that improved facilities for the supply of Germany with foreign capital are not to be expected in the near future. France and Great Britain are both experiencing an increasing need of capital themselves, and this may result in a temporarily reduced ability to export capital.

RATES OF INTEREST.

The rates of interest charged are no less important than the possibility of drawing upon the financial resources of foreign countries. The obligation to import capital always forces up the general rate of interest at home above the level of the most important capital-lending country. As a result, all categories of capital outlay - whether effected with the help of domestic or foreign capital - have to pay interest at a rate much above the rates ruling in the countries of the leading competitors, which are at the same time the capital-lending countries. The demand for foreign capital determines the general rates of interest at home.

The following tables attempt, with the help of some examples, to give an idea of the movement of interest rates in Germany.

MINIMUM YIELD ON FIXED-INTEREST-BEARING SECURITIES[1)]

Categories with a minimum yield of	represent at the middle of the month the following percentages of the whole								
	Jan.	July	Dec.	Jan.	Feb.	March	April	May	June
	1927			1928					
less than 6 %	13.3	0.7	0.3	0.9	0.3	0.3	0.3	0.3	0.3
from 6 - 6½ %	20.0	10.3	0.6	1.8	1.5	1.2	0.9	0.8	0.8
" 6½ - 7 %	25.2	14.3	10.7	10.0	10.0	7.8	8.0	5.8	5.2
" 7 - 7½ %	23.0	27.9	7.6	9.7	7.6	5.5	6.9	7.3	8.7
" 7½ - 8 %	16.3	34.6	24.9	27.8	27.5	27.1	24.7	22.6	20.2
" 8 - 8½ %	1.5	10.3	39.9	41.6	41.6	42.6	40.8	43.6	46.0
" 8½ - 9 %	0.7	1.5	12.9	7.0	9.4	13.8	16.7	18.2	16.6
more than 9 % ..	0.0	0.4	3.1	1.2	2.1	1.7	1.7	1.4	2.2
Average mimimum actual rate of interest	6.83	7.37	7.96	7.85	7.92	8.00	8.01	8.06	8.05

1) The premium is here converted into annual interest, the most unfavourable date of repayment for the creditor being taken.

INTEREST ON MORTGAGES

(in percentages)

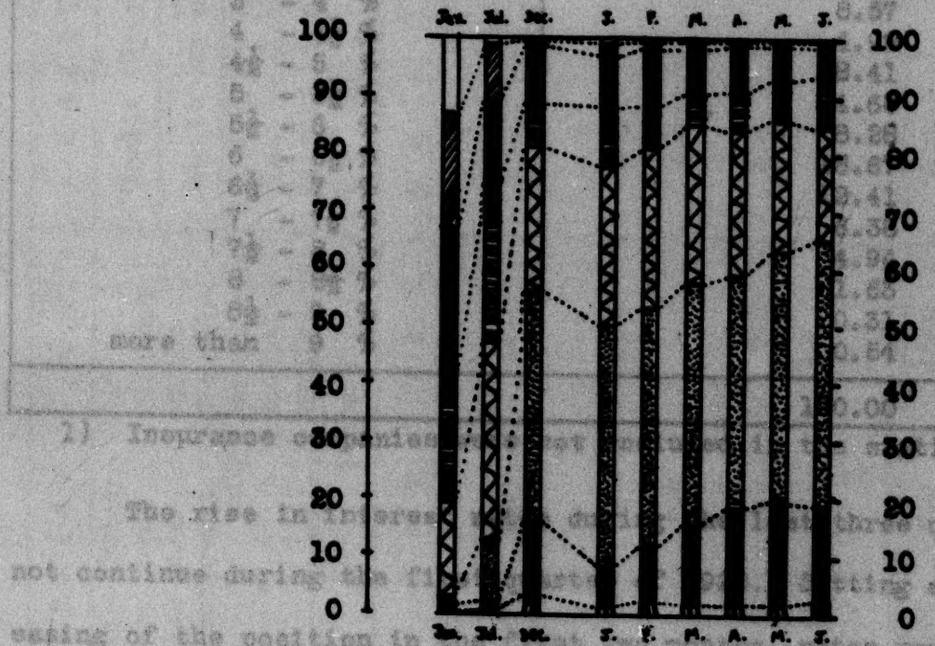
January	February	March	April	May
9.88	9.89	9.83	10.15	10.16

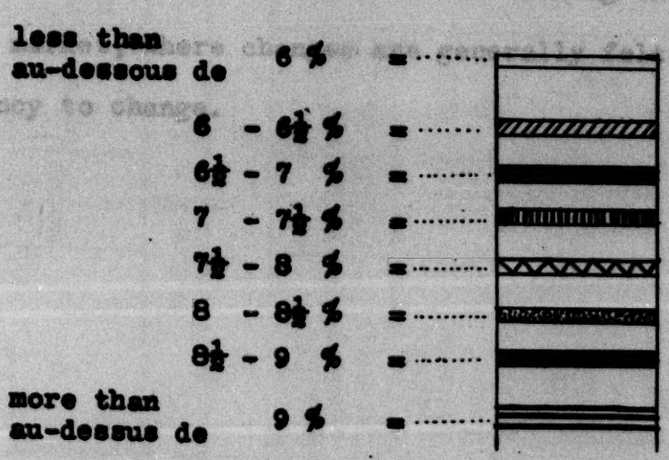
AVERAGE YIELD FROM SHARES OF THREE LEADING BANKS

1927			1928					
31.1.	31.7.	31.12.	16.1.	15.2.	15.3.	14.4.	15.5.	15.6.
5.16	6.09	6.03	6.31	6.54	6.81	6.43	6.09	5.98

MINIMUM YIELD FROM FIXED-INTEREST-BEARING SECURITIES

RENDEMENT MINIMUM DES VALEURS A REVENU FIXE





YIELD FROM SHARES DEALT WITH ON A CASH BASIS ON THE BERLIN BOURSE.[1)]

(Position as at June 15, 1928)

Categories with a yield of	represent the following percentages of the total market value
0 %	6.50
1 - 2 %	1.29
2 - 3 %	2.40
3 - 4 %	8.57
4 - 4½ %	4.99
4½ - 5 %	8.41
5 - 5½ %	14.68
5½ - 6 %	8.28
6 - 6½ %	18.67
6½ - 7 %	12.41
7 - 7½ %	6.38
7½ - 8 %	4.94
8 - 8½ %	1.63
8½ - 9 %	0.31
more than 9 %	0.54
	100.00

1) Insurance companies were not included in the statistics.

The rise in interest rates during the last three quarters of 1927 did not continue during the first quarter of 1928. Setting aside the seasonal easing of the position in the first two months, rates remained at the high level prevailing at the close of the previous year. A slight rise may be noted in connection with fixed-interest-bearing investments. The rates on the money market, where changes are generally felt first, do not reveal any tendency to change.

RATES OF INTEREST ON THE MONEY MARKET

PERIOD[1]	DEBIT INTEREST						CREDIT INTEREST			
							Credit interest of the Stempelvereinigung			
							Day to day money 14 days to 1 month			
	Day to day money	Monthly money for banks	Commercial bills for all customers	Private discount	Reichsbank discount	Debit interest of the Stempelvereinigung including commission	Free of commission	Subject to commission	Free of commission	Subject to commission
	Monthly average						Position at the end of month			
	Percentage									
1925										
January	10.10	12.00	.	8.03	10.0	15.0	.	.	.	.
December	7.45	10.40	.	6.67	9.0	13.4	5.0	5.0	7.0	7.0
1926										
January	6.20	8.99	9.09	6.04	8.0	12.4	4.0	4.5	6.0	6.5
June	4.83	5.75	6.40	4.50	6.5	9.9	3.0	3.5	5.0	5.0
December	5.52	7.12	5.76	4.72	6.0	9.0	3.0	3.5	4.5	4.5
1927										
January	3.80	5.96	4.66	4.09	5.0	8.0	2.5	3.0	4.0	4.0
June	6.18	7.52	6.55	5.67	6.0	9.0	3.5	4.0	5.0	5.0
December	6.51	9.00	7.60	6.77	7.0	10.0	4.0	4.5	6.0	6.0
1928										
January	6.22	7.78	7.19	6.20	7.0	10.0	4.0	4.5	6.0	6.0
February	6.97	7.57	7.21	6.33	7.0	10.0	4.0	4.5	6.0	6.0
March	7.21	7.88	7.22	6.77	7.0	10.0	4.0	4.5	6.0	6.0
April	7.03	8.00	7.20	6.67	7.0	10.0	4.0	4.5	6.0	6.0
May	6.89	8.00	7.21	6.64	7.0	10.0	4.0	4.5	6.0	6.0
June[2]	6.77	8.07	7.15	6.60	7.0	10.0	4.0	4.5	6.0	6.0

1) The monthly average rates in each case cover a period extending from the 11th of one month to the 10th of the following month.

2) Average from June 1 to June 30.

It is probably due to the position of the foreign markets, that there has been no fall in interest rates in spite of large offers of foreign capital (a proof of confidence in the German debtor) and a falling off in the home demand, and further that the continuously favourable exchange rates quoted have not influenced the interest rates. The spread between German and foreign rates has been reduced, as the following table shows. It now amounts to 93 per cent, whereas in January it was as much as 104 per cent.

SPREAD BETWEEN GERMAN MONEY MARKET RATES AND FOREIGN RATES.

Average of the daily quotations for the months	Average German rates for money at 1 to 3 months[1]	Average foreign rates for money at 1 to 3 months[2]	Spread between German and foreign rates	Spread between German and New York rates	Spread between German and London rates
1927 January	5.71	3.64	2.07	1.73	1.55
July	7.15	3.77	3.38	3.29	2.76
December	8.19	3.95	4.24	4.60	3.88
1928 January	7.71	3.78	3.93	4.10	3.53
February	7.49	3.72	3.77	3.73	3.32
March	7.71	3.75	3.96	3.92	3.61
April	7.78	3.87	3.91	3.70	3.78
May	7.76	4.00	3.76	3.51	3.78
June	7.74	4.01	3.73	3.36	3.92

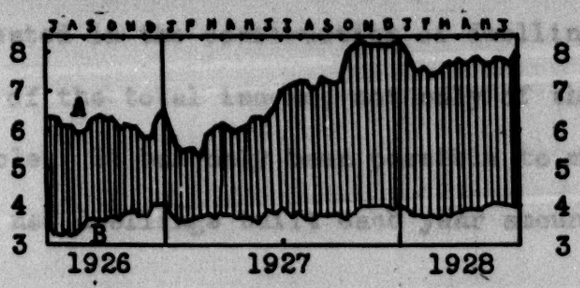
1) The average is computed from daily quotations for monthly money, commercial bills of all buyers and long and short term bankers' bills.

2) Bank acceptances 3 months and prime commercial bills New York; bankers' bills 3 months London; carry-over money Amsterdam and monthly money Zurich.

SPREAD BETWEEN GERMAN MONEY MARKET RATES AND FOREIGN RATES.

A = German money market
B = Foreign money market

(Average of rates for long-term money)



In view of the position on the German and foreign capital markets, the question arises how long it will be possible with such expensive capital to satisfy the requirements arising out of the growth of the population, to the same extent as formerly. It must not be assumed because Germany now pays higher rates of interest than any of the other industrial States, that the spread between the degree of remuneration is the same in the individual States. The divergency in the rates of interest is an indication rather of the varying degrees of urgency in respect of capital requirements. When borrowing, the borrower today is not always governed by considerations of existing possibilities of remuneration, but often by the actual or presumable urgency of the case, which obliges him to use income from other sources for the payment of interest and amortisation of the debt he is assuming. The influence of this urgency on interest rates is shown in connection with building. Interest at the rate of 10 or more per cent or approximately 200 per cent of the pre-war price, and building costs of approximately 175 per cent of the pre-war price raise the cost of construction of dwelling-houses to about 350 per cent of the pre-war figure. Setting aside the general currency depreciation corresponding to a price level of about 150 per cent, these costs represent an annual levy 2 1/3 times that of the corresponding pre-war levies. It would be absurd to assume that the profit-earning capacity of the country as a whole had risen to the same extent. It is on the contrary much less than before the war, as an examination of the amount of capital formed in Germany during the past few years shows. The reparation levy and the loss of interest on foreign investments is not balanced by increased activity within the country. The interest on the capital invested in the construction of dwellings therefore absorbs a greater proportion of the total income, not only of the individual but of the population as a whole. It has only been possible to meet it owing to the fact that the number of new dwellings built each year amounts to only 1¾ per cent

of the total dwellings and that the holders, owners and mortgage creditors of the 16 million dwellings in existence have taken over a proportion of the costs for the new dwellings with the help of the Hauszinssteuer (tax on rents).

Capital expenditure for trading purposes - whether in agriculture or in industry - has also often been incurred under the pressure of necessity. In the case of industry it has often been found that considerable capital invested in an already existing concern can only be made profitable after some of the plant has been renewed and brought up to date. In such a case, the readiness to pay higher rates of interest than before the war must by no means be interpreted as increased profit-bearing capacity of the concern as a whole. In agriculture - more especially since the bad harvests of the past two years and owing to the burden of existing commitments - many farmers have evinced a desire for capital for maintaining their farms and thereby their living, and for rendering more productive the capital already invested, and have paid a rate of interest, more for the purpose of keeping things going than because the profit-earning capacity had increased. The problem of increasing the profitability of agriculture has still to be solved. Improved output and distribution, for example in the supply of meat and milk, offer various possibilities in this direction.

The urgent need for capital is a consequence of the war which still governs the social and economic life of Germany, and is the sign of a burden not very visible to outsiders. A people, which, like the German people, has devoted its energies with such extraordinary industry and determination to reconstruction and peaceful competition, has certainly assembled capital. It is true that the capital is tied up, and that its formation was only possible through investment. It is out of all proportion to the requirements of the increasing population, which had been held under for many years.

This disproportion is now resulting in a falling off in the degree of industrial employment, although there is still a considerable call for just such products as are manufactured by German industry, and foreign capital is prepared to come to Germany. The cost of importing capital has however been found too high for foreign capital to continue for long to participate to such an extent as hitherto. Insufficient capital is a barrier to German efforts and initiative; to this cause are due the big fluctuations in the degree of industrial employment and the resultant economic disturbances throughout Germany.

THE REPARATION BURDEN.

In the consideration of the reparation burden the disproportion between the formation of capital and the requirements of growth is the decisive factor.

To appreciate the amount and magnitude of the reparation payments it is sufficient to say that an annual payment of 2,500 million gold marks is greater than the favourable balance of payments of the United States, which is estimated by the Department of Commerce at approximately 2,100 million gold marks, and is nearly as large as the British favourable balance of payments which is approximately 3,200 million gold marks. It easily exceeds the annual payments of all the interallied war debts, and is approximately equivalent to the value of the annual German requirements of new dwellings arising out of the growth and movements of the population.

The actual figures are not the most significant aspect of the extent of these sums. The disproportion between the German formation of capital and the growth requirements of Germany inevitably means that the production of these sums involves a much greater burden for Germany than the receipt of them involves relief to the reparation creditors. The differences between the

average rates of interest in the different countries, which is shown in the table given above (page 64) in the form of a comparison of rates on the money market, shows that for Germany the reparation annuities represent twice as much as they do for the principal recipient countries, and that Germany has to pay twice the price for borrowing the amounts required for the reparation payments that the recipients earn with them when they have got them. Germany's burden and Germany's payments are very much greater than they appear in figures. That is why in Germany, as the country which has to produce the payments, the latter are regarded even by the most moderate economists with much greater anxiety than they are by observers in the recipient countries. The reparation tribute is imposed upon a country which is essentially a country requiring capital, while the principal recipient countries are essentially countries with capital surpluses. The capital requirements of Germany, arising as they do in a very high degree from the natural increase of the population and from the necessity of making good the arrears of a decade on the other hand, are bound for many years ahead to be greater than they ever were in the period before the war. They can be set back by a high level of interest but not permanently eliminated, and will continue consequently to assert themselves until they have been satisfied in a manner corresponding to the standard of civilisation of the country which puts them forward. After each effort to repress them they will seek satisfaction with renewed and intensified avidity so soon as the interest level approaches the rates of profit customary in industrialised countries. It is in this avidity to seek satisfaction of the requirements of the country's growth that one must look for the explanation of the tendency to ignore the warning to adjust capital expenditure to capital supply. Prudence in this connection is of very special significance in a country which has been deprived of its foreign investments and of the supply which these represent of capital independent of internal developments. The

loss which Germany has incurred by the expropriation of her foreign investments is far more than any ordinary loss of a part of her national capital. The necessity of creating a substitute for these foreign investments is for an industrialised country like Germany in the long run a necessity which cannot be eluded.

The release of German property by America must therefore be regarded as of very great significance for the German economy: it amounts indeed to something like one-third of a whole year's reparation annuity. More than this, it is calculated to pave the way to appreciation of the fact that cooperation and division of labour in the economic competition of the world is worth more to all countries than one-sided expropriations of capital.

RESULTS AND PROSPECTS.

Germany has made great efforts in recent years to satisfy the requirements of her growth and to place herself in a position at the same time to pay reparations. The numbers of persons earning their living have risen more rapidly than the numbers of the population. Labour disputes have been avoided on a wide scale by arbitral procedure. The output of the workers has increased in a large number of branches. None of these efforts could have been made on the same scale or brought to the same success, if foreign countries had not placed at Germany's disposal a very considerable amount of the capital required. But although the main requirements are not yet satisfied and although the provision of capital by foreign countries is not appreciably smaller than it was, there is danger of a check in the process. The cost of capital is too heavy for the national economy to support. The objections, which for a time owing to the urgency of the requirements had fallen into the back-ground, could not permanently be set on one side. The prospects of diminution of these requirements in the near future are small. The American

capital market, which is the principal market open to Germany, is not likely to reduce its interest demands in the case of foreign loans, so long as foreign countries apply to it on so heavy a scale as they have done for about a year and a half past. The capacity of England and France to supply the countries having a capital shortage with capital has indeed increased. But it is impossible to say to what degree and on what terms these countries are likely to be prepared to take up German loans. The increase of the reparation payments by $\frac{2}{3}$ milliard a year - which represents approximately the half of the sums hitherto received annually from America in the form of loans - must affect the formation of capital in Germany, still quite inadequate in relation to German capital requirements.

There is therefore now a danger that in spite of the pressure of the country's requirements it will not be possible to exploit to the full the available machinery of production and that the formation of capital will decline. This danger can only be avoided if Germany puts her products on the world market on a much greater scale than hitherto in order to make up there what she has to surrender <u>à fonds perdu</u> in another connection. That means however that the existing outlay on production must be made to produce more, and that there must be more rapid and more economical work. Remarkable as the progress is which has been made in recent years in Germany in connection with the operation of business, it is nothing like what it must be if it is to satisfy current requirements and arrears in houses, machinery and plant of every kind, and at the same time to pay year in year out reparations on a scale which is equivalent to the cost of supplying Germany's annual housing requirements. German foreign investments, that is to say her capital holdings, can no longer be drawn on for reparation payments for the reason that they have already been utilised for the purpose.

Germany has made far-reaching use of technical improvements to promote her recovery, and will be compelled to make still further use of them. But without social progress no technical progress under present day circumstances is possible: without improved consumption, insurance for the future and relief of the burdens of toil there can in the long run be no increase of output. In considering the question what sums can be drawn from a people to pay reparations after the event, it is not only the existence of an annual increase of capital which is the deciding point: it is equally important to consider the proportion of the formation of capital to the requirements of the country's growth and social progress. Consideration of these essential elements will help to assure the economic and social peace of the world and to promote the cooperation of the world's peoples.

THE REPARATION BALANCE-SHEET.

1. Income and expenditure arranged according to origin and destination.

	INCOME (in millions of RM)							
	1st reparation year (Sept.1924 - Aug. 1925)		2nd reparation year (Sept.1925 - Aug. 1926)		3rd reparation year (Sept. 1926 - Aug. 1927)		9 months of 4th reparation year (Sept.1927-May 1928)	
	Total	Monthly average	Total	Monthly average	Total	Monthly average	Total	Monthly average
Budget contribution	-	-	250.00	20.83	410.00	34.17	375.00	41.67
Transport Tax	-	-	241.80	20.16	1) 278.09	23.17	3) 213.33	23.70
Interest on the German Railway Bonds	200.00	16.67	550.00	45.83	2) 540.00	45.00	4) 495.00	55.00
Interest on the German Industrial debentures	-	-	125.00	10.43	250.00	20.83	150.00	16.67
Receipts from the Loan	800.00	66.67	-	-	-	-	-	-
Interest and exchange differences	0.46	0.04	3.00	0.25	2.76	0.23	1.56	0.17
Less interest credited to the German Railway	-	-	- 7.41	- 0.62	- 6.48	- 0.54	- 5.50	-0.61
Total income	1,000.46	83.38	1,162.39	96.88	1,474.37	122.86	1,229.39	136.60
Carried forward	-		107.01		93.63		185.48	
Total	1,000.46		1,269.40		1,568.00		1,414.87	

1) Of which 8.09 and

2) 45.00 million RM were in completion of the second Annuity.

3) Of which 20 million and

4) 55 million RM were in completion of the third Annuity.

	EXPENDITURE (in millions of RM)							
	1st reparation year (Sept. 1924 - Aug. 1925)		2nd reparation year (Sept. 1925 - Aug. 1926)		3rd reparation year (Sept. 1926 - Aug. 1927)		9 months of 4th reparation year (Sept. 1927-May 1928)	
	Total	Monthly average	Total	Monthly average	Total	Monthly average	Total	Monthly average
1. In foreign currency	271.15	22.59	419.48	34.96	681.78	56.82	654.64	72.74
Service of the Loan (cash transfers)	77.53	6.46	97.20	8.10	91.32	7.61	66.00	7.33
Reparation Recovery Act	180.26	15.02	243.08	20.25	290.12	24.18	260.45	28.95
Treaty deliveries	-	-	5.00	0.42	40.20	3.35	21.16	2.35
Cash transfers	-	-	65.00	5.42	255.11	21.66	296.34	32.93
Costs of Inter-Allied Commission	13.36	1.11	9.20	0.77	5.03	0.42	3.18	0.35
Other expenditure	-	-	-	-	-	-	7.51	0.83
2. In German currency	622.30	51.87	756.29	63.03	700.74	58.39	597.77	66.41
Deliveries in kind [1]	420.22	35.02	655.90	54.66	617.00	51.42	571.74	60.19
Costs of Occupation	187.42	15.62	86.19	7.18	73.52	6.12	50.62	5.62
Costs of Inter-Allied Commission	13.36	1.12	9.20	0.77	5.04	0.42	4.48	0.50
Other expenditure	1.30	0.11	5.00	0.42	5.18	0.43	0.93	0.10
Total expenditure	893.45	74.46	1,175.77	97.99	1,382.52	115.21	1,252.41	139.15
Cash surplus	107.01		93.63		185.48		162.46	
Total	1,000.46		1,269.40		1,568.00		1,414.87	

1) The greater part of this item was effected in foreign currency.

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2. Distribution of expenditure among the different countries.

	1924 - 1925 1st reparation year		1925 - 1926 2nd reparation year		1926 - 1927 3rd reparation year		1927 - 1928 9 months		1924/25	1925/26	1926/27	1927/28
	Total	Monthly average	Total	Monthly average	Total	Monthly average	Total	Monthly average				
	in millions of RM.								percentage of total expenditure			
France	369.59	33.05	565.66	47.14	638.30	53.19	614.12	68.24	44.39	48.11	46.17	49.04
Great Britain	189.87	15.82	226.69	18.89	302.51	25.21	263.08	29.23	21.25	19.28	21.88	21.01
Italy	60.38	5.03	77.06	6.42	92.77	7.73	90.21	10.02	6.76	6.55	6.71	7.20
Belgium	93.49	7.79	116.38	9.70	68.64	5.72	85.15	9.46	10.46	9.90	4.96	6.80
Jugo-Slavia	30.08	2.51	38.18	3.18	46.32	3.86	44.76	4.97	3.37	3.25	3.35	3.57
U. S. A.	-	-	14.86	1.24	98.78	8.23	57.24	6.36	-	1.26	7.14	4.57
Rumania	7.40	0.62	8.98	0.75	10.65	0.89	11.14	1.24	0.83	0.76	0.77	0.89
Japan	3.81	0.32	2.82	0.24	10.13	0.84	4.58	0.51	0.43	0.24	0.73	0.37
Portugal	4.73	0.39	6.28	0.52	8.11	0.68	7.07	0.79	0.52	0.53	0.59	0.56
Greece	2.65	0.22	3.16	0.26	4.24	0.35	1.17	0.13	0.30	0.27	0.31	0.09
Service of Loan	77.53	6.46	97.21	8.10	91.32	7.61	66.00	7.33	8.68	8.27	6.61	5.27
Other expenditure (including costs of Control)	26.92	2.24	18.52	1.55	10.75	0.90	7.89	0.88	3.01	1.58	0.78	0.63
Total	893.45	74.45	1,175.80	97.99	1,382.52	115.21	1,252.41	139.16	100.00	100.00	100.00	100.00

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 7, 1928.

PROGRAMME OF NEW GERMAN GOVERNMENT

ADDRESS OF CHANCELLOR BEFORE REICHSTAG, JULY 3, 1928.

(Translation from official report of Reichstag proceedings, July 3, 1928.pp. 38-46)

Ladies and Gentlemen! I have the honour to present to this House the new Reich Cabinet which has emerged from the Reichstag elected on May 20th. (Disturbance and cries among the Communists.) The election campaign has proven to the world that following the hard post-war years the German people has entered into a period of calm and steady development. The foundations of the new State of the German republic stand secure and unshakeable. (Renewed cries from the Communists.) It is the task of the Reich Government to build further on the basis which has now been consolidated and to work unceasingly to the end that the wounds of the war and the post-war period may heal more and more and that the work of resolute reform may be carried out in all fields; for only further energetic work along the line of social and political progress corresponds to the will which the German people expressed in the Reichstag elections. (Cries from the Communists.) The composition of the Reich Government serves such an aim. (Laughter among the Communists.) Even though it is not built on a coalition-like basis, its composition has nevertheless found the approval of the parties concerned. On this basis the new Reich Cabinet has taken up its activities. (Renewed cries from the Communists.) It will shape coming political tasks according to the following programme which I have the honour to outline to you.

As regards foreign policy the course which the Reich Government will follow is clearly prescribed. The foreign policy of Germany is pursuing

its aims in a spirit of peaceable understanding and renounces the idea of revenge. We shall adhere to this basis. On it, we shall continue to pursue the object of securing for Germany a position of equality among the nations and of bringing about, in frank collaboration with the other Governments, the political and economic consolidation of Europe. (Bravo! from the Socialists and in the middle.) Serious and important questions are awaiting solution and make itour duty to exert all our efforts to achieve their satisfactory settlement. I may mention firstly the question of the liberation of the territories on the Rhine and the Saar which are still occupied. In agreement with the whole German nation, the Reich Government is convinced of our well-grounded claim to an immediate liberation of these areas. (Warm applause.) We must state, however, that the occupying Powers have even now not drawn the given conclusions from the political development of the past few years and that it has for this reason been impossible up to now to arrive at a practical result in the varied discussions on the evacuation question. Only one and one-half years still separate us from the final Treaty date upon which the evacuation of the second zone is contemplated. (Cry from the National Socialists: Contemplated!) We all know that there would need to be no appeal to the loyalty and patience of the population of the occupied areas even if it should be necessary to hold out until the last Treaty dates. (Very true! among the Socialists and in the middle.) But if the evacuation should really be simply left to the expiration of the Treaty period, an important opportunity would thus be neglected of converting the policy of understanding into a reality even though all pre-requisites to this end existed. (Very true!) In this question the decisive factor for us, aside from the natural wish freely to exercise German sovereignty in the Rhineland and to liberate the population from the burdens of the occupation, is primarily the standpoint that the important thing is at last to throw down

this barrier which still exists from the period of the war and which stands in the way of establishing relations of real confidence among the nations. (Very true!) We most certainly expect that this standpoint will now be appreciated in the same measure also by the foreign Governments participating in the occupation. We further expect that, as regards them, every attempt made by another party to confuse the real issue by unjustly bringing in other problems will be in vain. (Very good!) The evacuation problem is simple and clear. Good-will alone is necessary to solve it.(Warm approval.)

We send our hearty greetings to the loyal population on the Rhine and Saar. (Applause.) The Reich Government is conscious of the great economic distress which has reached a high degree there owing to the occupation and which is intensified by the border conditions. We shall devote our particular attention to this economic distress.

Our activities in the League of Nations are most closely connected with the basic line of our foreign policy. We see in the League of Nations one of the most important factors of international life and, thus, also of furthering national interests. We are determined loyally to collaborate in all the tasks which must be solved in Geneva.

Of the general problems before the League of Nations the question of universal disarmament is now in the foreground of our interest. (Very true! from the Socialists and the Democrats. Cries from the Communists.) The disarmament of Germany has been carried out to the very end, and no State has done as much as Germany for universal security. (Approval.) This is proved by the Treaties of Locarno, our numerous arbitral conventions, the acceptance of the optional clause of the World Court and our active collaboration in the Geneva Security Committee. Germany was the first State to approve without reservations the general pact for the outlawry of war, which was recently proposed by the United States. We shall in the future also do our part to

realise this great plan, which places the guaranteeing of peace on the broadest conceivable basis.

All this gives us the right and duty to demand with all emphasis that universal disarmament should now at last earnestly be carried out and that thus the fondest desire of the nations who went through the terrible war should be fulfilled. The world must realise that in the long run it is an impossible condition for a great country like Germany, one-sidedly disarmed, to be surrounded by countries which are armed to the teeth. (Very true! in the middle and among the Socialists.) It will be the duty of the next meeting of the League Assembly in September to establish clarity on the course which the League of Nations is to take in this serious question.

The coming development of the reparation question will face us with an important task. It goes without saying that the treatment of this question will be of decisive importance for the whole economic and financial position of Germany for long years to come. Through the Experts' Plan and the London agreements of the year 1924, it has been possible to strip the reparation problem of political character and to make out of it a financial and economic question. Since then the execution of the Experts' Plan has proceeded smoothly. Germany has regularly and punctually fulfilled her obligations. The Experts themselves, however, described their Plan as only a provisional settlement and stated that it was necessary to supplant this provisional settlement by a definitive one as soon as circumstances make this possible. The execution of the Plan during a period of nearly four years has furthered in great measure the understanding of the general pre-requisites for the definitive solution. It may be that the time for taking up the definitive solution may not yet be precisely foreseen even to-day, but developments have nevertheless progressed far enough to create in all interested circles room for the conviction that the early accomplishment of this definitive solution is not only desirable,

but also possible. The success of all efforts toward the definitive solution of the reparation problem will depend upon their being handled by all those interested with the necessary measure of far-sightedness and upon their being carried out in accordance with methods of mutual understanding, with a sound economic policy and naturally with the assurance of a reasonable standard of living of the German people. Germany, for her part, will not fail to collaborate loyally in order to bring to a final conclusion a question which is of the greatest significance both for the German economy and also for the world economy.

Foregoing special mention of the other tasks of our foreign policy arising from our relations to the other countries, I shall now turn to questions of domestic policy. Execution of the Experts' Plan, reconstruction of the world economy and the interests of the German national economy itself demand in equal measure the facilitation and the cultivation of trade. In the words of the Experts themselves, the reparation payments can be made in the long run only out of genuine surpluses of the German economy. The world economy is suffering from protectionism. The German economy requires for its complete unfolding the development and intensification of its relations with the world economy. Consequently, the Reich Government will support all efforts tending toward this end, and will itself use its strength to fortify German economic forces through the cultivation and expansion of world economic activity (Bravo! from the Socialists.)

The new Reich Government associates itself with the unconditional recognition of the results of the World Economic Conference at Geneva by the previous Reich Government. For its part, it will aim at their materialisation and energetically participate particularly in the work of lowering, through international agreements, the customs tariffs which were increased practically everywhere after the war. (Very true! from the Socialists.)

Alongside the work at Geneva looking toward a reduction of customs tariffs, commercial treaties continue to be the best means of removing hindrances to exchanges between the individual national economies. The expansion of our commercial treaty relations, particularly with the States to the east and south-east, is considered by the Reich Government to be an important task. (Very good! in the middle.)

It is pleased that negotiations have begun at Vienna looking toward a definitive and conclusive commercial treaty with Austria, which is a nation related to our own.

The Reich Government will also adopt the third method of activity in commercial policy which the World Economic Conference recommended in its efforts to facilitate the exchange of commodities: autonomous measures in the field of the customs tariff. The Reich Government will accordingly submit to the legislative bodies for decision the proposals for an autonomous tariff reduction, on which the Reich Economic Council has already rendered a report, relating to industrial items of the German customs tariff which cannot be utilised in commercial treaties.

The movement of prices on the German domestic market is important for the development of exports and for guaranteeing a reasonable real wage to the working population. Its influencing is served by a commercial policy aiming at the maintenance of ability to compete and above all by the correct attitude of the State toward the great monopolistic organisations which influence our economic life in the form of cartels, trusts, and similar bodies. (Very true! from the Socialists.) The forces in these organisations which are useful to the community at large and which increase production must be furthered; their detrimental tendencies must be curbed. (Very good! from the Socialists and in the middle.) To this end the leadership of a political system must possess the absolutely indispensable survey over as well as insight into these

organisms in order to be able to form a judgment on the manner and effects of their activity and to adjust its measures accordingly. To grant these possibilities to the constitutional authorities lies also in the well-understood interest of those organisms themselves, as they will then meet with better understanding of their measures among the community at large and will gain from the Government the confidence necessary for collaboration. As a result the application of legal measures against the abuse of positions of economic power can be restricted to the absolutely necessary measure. (Very good! from the Socialists. Laughter among the Communists.) In cases where such collaboration cannot be brought about, present legislation requires supplementation granting to the Government the necessary control, security and the possibility of determining in an expert manner whether the activities of these organisations are adapted to serve general economic progress. Corresponding proposals for expanding cartel and monopoly legislation, particularly in the direction of including the large enterprises which dominate the market, will be presented upon their completion. The findings of the Commission of Economic Enquiry, which has examined in particular detail precisely the fields in which such organisations exist, will furnish valuable material to this end.

The efforts to give greater publicity to the internal affairs of large enterprises, such as are being pursued, among other ways, within the scope of a reform of joint stock company law, serve the general interests of the economy and the obtaining of capital.

The Reich Government is following with great care the development of conditions in the pit-coal mining industry. The difficulties existing here are not confined to Germany, but represent a problem common to all countries participating in the mining of pit-coal. The German Government

welcomes it that the questions connected herewith are being subjected to international study by the Economic Committee of the League of Nations, and, on its part, will collaborate most readily therein. (Laughter among the Communists.)

The development of transportation facilities and of the public communications is of decisive importance for the prosperity of the economy. The Reich Government will adhere to the past transportation policy, and aim at creating the most favourable conditions for increasing sales through further organic development of the various means of transportation.

The Reich Government is conscious of the fact that large circles of the middle class in handicrafts, commerce and industry are in great distress and that, as the President of this House said a short while ago, when he took office, "have not yet been able to find a sound basis for their existence". The Reich Government will see to it particularly that protection and aid are accorded to these middle-class circles, as Article 164 of the Reich Constitution prescribes, and that reasonable limits are set to the expansion of those activities of public corporations which are not dictated by the requirements of the population. (Very good! in the middle. Laughter among the Communists.)

As regards handicrafts, the promise of the solution of several important questions of organisation is to be redeemed through the early presentation and passage of the bill amending the law on handicrafts. (Bravo! in the middle.) The co-operative self-aid organisations of handicrafts and trades are energetically to be furthered.

The settlement made by the creation for a restricted field of the decree on building contracts is to be expediently extended to the whole public order distribution system with collaboration of the interested circles. In this connection the middle-sized and smaller enterprises are to be given particular attention.

The training of an adequate supply of skilled workers to produce articles of high quality, particularly in view of the decline in births during the war and the lack of young workmen consequently to be expected, must be assured through a comprehensive settlement of the training of the growing generation in industry, commerce and handicrafts. (Laughter and cries among the Communists.) Its execution shall be guaranteed by equal collaboration of employers and employees through the competent trade organisations of industry. This purpose is served by the law on training for trades, which will shortly be introduced.

Article 165 of the Reich Constitution provides for the equal collaboration of employees in economic and social policy. The further execution of this article is served by the bill on the definitive Reich Economic Council, which will occupy the Reichstag in the very near future.

One of the most important and first tasks of the definitive Reich Economic Council will be to discuss proposals for the further execution of Article 165 looking toward an increasing participation of workmen in the whole economic development of productive resources (Bravo! from the Socialists.)

The creating and guaranteeing of fruitful collaboration will be aimed at in all fields which are accessible to such collaboration. This must be done also in relation to the German border areas which, as a result of their situation, are exposed to a series of special difficulties and therefore require increased relief. The practical consequences must be drawn from the idea that the economy of these areas forms a unit, equally important for all, with the more favorably situated portions of the country. (Bravo! in the middle.) There is no isolated economy of individual districts but solely a united German economy. (Loud cries of Bravo!)

Likewise it is necessary to guarantee an adequate equalisation and treatment on a uniform basis to the various economic interests which within the Government are entrusted to various ministries for technical reasons and reasons of organisation. The Government will take care in this regard to cultivate close collaboration between the individual Governmental offices and to adhere to uniform fundamental ideas.

The distress of large circles and areas of German agriculture continues undiminished. The restoration of the profitableness of agricultural enterprises is the pre-requisite for their maintenance and thus for the maintenance of the German rural population which the German Reich so indispensably requires in the interests of its economy and of a sound structure of the German people.

Any permanent weakening of agriculture as a purchaser on the domestic market would not be without effects on industry and trade. (Very true! from the Socialists.) Likewise increased migration from the rural districts, which

would be the inevitable consequence of a long agricultural crisis, would burden the city labor market in an unbearable manner.(Warm approval from the Socialists.) The Reich Government is quite conscious of the danger that, with a decline of agricultural production, our food supply will become more dependent on foreign countries and that the then necessary increased imports of foodstuffs will burden our balance of trade. (Cries from the right.)

To combat these dangers and to alleviate the distress of agriculture, it is first necessary to apply all measures which are adapted - without causing the consumer to be burdened - to contribute to the restoration of the profitableness of agriculture. Consequently the measures of the Reich to further the fertility of the soil and to improve the technical bases of agricultural production are to be continued. The application of all modern means of increasing the yields and the rational utilisation of the natural resources of the German soil are to be favored. Aside from the improvement of production, however, the marketing conditions for the products of German farmers and cattle-raisers must also be improved. (Very good! from the Socialists. Laughter on the right.) Special attention will be devoted to preventing such excessive fluctuations in the prices of cattle, grain and potatoes as hurt the producer and do not benefit the consumer. (Very true! from the Socialists.) On the basis of the program adopted by the last Reichstag to aid agriculture, the work to improve quality, to standardise important products and to improve marketing organisations, with special attention to agricultural products of a specially high quality, is to be continued. (Very good! from the Socialists.) The Reich Government is confident that these efforts will find indispensable supplementation and support from the vital forces of self-help within agriculture itself. (Bravo! on the left and in the middle.) It will therefore combat the splitting-up of the agricultural co-operative association system - and will devote its attention to strengthening these institutions of self-help,

with the aim of creating a sure market for agricultural products by making it possible to produce good articles which meet the demands of the consumer. (Cry from the Communists: What about protection?)

Together with the competent authorities, the Reich Government will support the efforts to keep the central institution of the co-operative associations in an efficient status and to expand it so that it can cope with its growing tasks.

The very greatest anxiety is caused by the still rising agricultural indebtedness at interest rates which cannot be earned, even in better times. (Very true! from the Socialists.) The amount of short-term credits comprised in this indebtedness continues to endanger the rational operation of the enterprises. (Approval on the right.) The conversion of these credits into long-term indebtedness and the reduction of the interest rates on all agricultural debts will be aimed at. (Bravo! on the left.)

In the past few years agriculture has met the public charges and burdens in great measure by encumbering capital and not out of the yields of operation. (General approval.) Moreover, the burden on agriculture has been very unevenly distributed up to now. In examining the public tax system, it will be considered to what extent relief and a just distribution of the burdens can be brought about.

The Reich Government will most emphatically further agricultural settlement with the aim of bringing about a healthy distribution of the population and its various groups between the city and the country. (Very good! from the right and in the middle. Cries from the left.) In this connection it will in particular see to it that new labor resources are provided for sparsely-populated border areas and help as many as possible worthy applicants for agricultural settlement, including such as can make only small initial payments, to places on which to settle. (Bravo! on the left and in the middle.) In agreement

with the States, it will aim particularly at a reduction of the costs of settlement in connection with the purchase of land and with the building of farmhouses and at a simplification and cheapening of the procedure. The Reich Government will devote its special attention to providing long-term credits for agricultural settlement. (Bravo! from the Socialists and in the middle.)

The social policy of the post-war period is one of the most important problems of our domestic policy; but it is also influenced by international social policy and on its part exerts an influence far beyond the limits of our own country. (Very true! from the Socialists.)

The Reich Government intends to ratify the Washington Agreement on the eight-hours day (Bravo! from the Socialists) and in the international negotiations it will collaborate with all its force in the removal of the uncertainty which at present exists concerning the revision of this agreement and in the removal of the hindrances which stand in the way of its general ratification. (Bravo! from the Socialists.) It will shortly (Cry from the Communists: Shortly!) present to the Reichstag a bill for a law to protect workers, which has already been passed by the Reichsrat, and also the draft of a miners' law, which is necessary for its supplementation. The regulation of working hours contained in these laws is based on the eight-hours day, avoids economic impossibilities and social injustices (Contradiction from the Communists) and corresponds to the Washington Agreement. (Laughter among the Communists.)

Of the remaining fields covered by the bill for the protection of workers particularly the social protection of the youth and the settlement of labor supervision require the greatest attention. (Bravo! from the Socialists.)

The Reich Government considers a uniform development of the authorities for supervising labor and their uniform activities under an expert central authority equipped with the necessary powers, with participation of the

employees, indispensable in the interests of effective labor protection. (Renewed cries of Bravo! from the Socialists. Cries from the Communists.)

Aside from the law protecting workers, there must be furthered above all the revision of the decree on seamen, the tariff agreement law and the general labor contract law, (Cries from the Communists: The arbitral system!) in order to conclude as soon as possible the uniform labor legislation promised by the Constitution.

The law on the provision of employment and unemployment insurance adopted in the summer of last year has placed the organisation of the labor market on a new basis. The Reich Institution for Employment and for Unemployment Insurance is still in process of amplification. The local unemployment offices are not incorporated as yet. In the country they must in many cases be newly created. The omissions of past decades must be repaired here. Only when this has been done, will it be possible reliably to judge the effects of the new law. (Cries from the Communists.) A question which must be settled in due time before the winter is the status of seasonal laborers in respect to unemployment insurance, to which end the organs of the Reich Institution have the necessary powers. They will make objective use thereof just as they have already done in other, not less difficult, questions. In this respect the Reich Government will most emphatically support them.

Emergency relief has already been prolonged beyond July 1st. At the same time there have been a number of further measures to meet the stagnation on the labor market which has been making itself noticeable of late. The new Reich Government will continue in this sense. Furthermore, the period of emergency relief to older employees and laborers is to be prolonged beyond the present limits. (Bravo! on the left.) This can be done by decree. It will furthermore have to be examined whether the harsh dismissal of older employees can effectively be curbed. (Very right! on the left.)

The Reich Government regards the support of unemployed persons as merely a last resort. Incomparably more valuable is everything that puts the unemployed to work again. (Very true!) The Reich Government will further such efforts in every possible manner. It will endeavour to overcome the scarcity of laborers in the country (Laughter on the right) and it will devote its very special attention to the great task of assuring in all branches of economic activity an adequate supply of trained young laborers. Among other things, the above-mentioned law for training in trades serves this end. From this standpoint, all efforts to train laborers for other trades and to facilitate the free movement of labourers, which is hindered greatly by the present dwelling conditions, will always find the most emphatic support on the part of the Government.

Within the scope of general measures of economy it will have to be considered how the Reich insurance can be made simpler, more economical and, consequently, more effective. In this connection a reduction of payments or a restriction of local administration cannot be considered. It will even have to be examined whether and to what extent the savings in the insurance system can in turn be made beneficial to the insured and their families through increased payments. (Bravo! on the left) In particular the insurance organisations will be able more exactly than hitherto to adjust themselves to forestalling and preventive measures, particularly to the struggle against wide-spread disease and to protection against accidents while working. (Renewed cries of Bravo!) Also the expansion of accident insurance to include occupational diseases which are not yet covered serves this end. A decree will enlarge, on the basis of a report of the Temporary Reich Economic Council, the list of occupational diseases for which indemnification is to be the same as in cases of accidents incurred while working. The Reichstag will at once receive the bill, which has already been passed by the Reichsrat, on extending

accident insurance so as to include further enterprises. Whether and how inclusion of still other circles in the accident insurance can be effected is to be examined in a memorandum to be presented to the Reichstag. (Cry from the Communists: Include the Cabinet! Laughter.)

The social insurance system must place itself in the service of our population policy, which emphasizes protection and aid to the family. In this connection, the age-limit at which insurance is obligatory in sickness and employees' insurance gains a special importance. It will therefore have to be considered whether and to what extent the limits are to be extended.

In the international social insurance the ways which have thus far been trodden with success will be followed further. In State treaties and in international agreements, rights under the insurance will reciprocally be granted to the insured even if they change their place of residence from one territory to another. Such treaties and agreements at the same time form the bridge between the insurance systems of the individual States and further the uniform adjustment of laws. The close collaboration with the International Labor Office, which has already led to fortunate and important results for German and international social policy, will be continued (Laughter and cries from the Communists.) This collaboration, on the other hand, obligates the Reich Government to secure for Germany the position befitting her in the international labor organisation.

It is in accordance with the unanimous sentiment of the German nation to improve the lot of the persons injured in the war and the families of dead soldiers. (Warm concurrence. Cries from the Communists.)

In like manner the Government will aim at improving public welfare as much as possible to the benefit of those in distress, strengthening the rights of those in need of help and extending public relief in its nature and activities. It will also further the helpful institutions of charitable

welfare (Hear, hear! and cries from the Communists); it will place the aid for small rentiers on a legal basis independent of the judgment of the local welfare authorities.

Housing distress continues to hinder our national life from becoming healthy. The Government will devote its special attention to keeping old dwellings available as dwellings and to constructing new dwellings and in this connection take into account in a preferential manner the requirements of circles of the people, who are without dwellings, but who have no funds or only small funds, particularly of newly-founded families and large families, as well as the persons injured in the war and the widows and children of soldiers killed in the war. (Very good! from the Socialists. Disturbance among the Communists.) Moreover, other measures must also be taken to alleviate the burdens of families with many children.

In the creation of new dwelling space, it will aim at keeping the rents in new dwellings at a bearable level through an economical and economic utilisation of the funds for the construction of new dwellings. (Cries from the Communists.) It will act against an unjustified rise in prices of real property and any other unjustified profits. (Laughter and cries among the National Socialists.) It will aid endeavours to lower building costs by more rational development of the building trade. All resources of public as well as private building enterprise are to be mobilised to expedite the construction of dwellings. The Reich Government regards it as an important task to strengthen its influence on as economical as possible a utilisation of public funds and to take care that new dwellings are constructed chiefly in those places where, as regards the more distant future, favorable opportunities for employment exist for the working population. (Very good! from the Socialists.) Since the construction of dwellings is considered productive, there are no objections, in case of urgent necessity, to providing funds through loans

insofar as general economic conditions and the condition of the capital market permit.

Fruitful work in the field of foreign, economic and social policy is possible only on the foundation of a solid political structure, (Loud cries from National Socialists: Very true!) the basis of which is our Weimar Constitution. (Warm approval from the Socialists and Democrats. Laughter among the Communists.) It is the chief task of the Reich Government to develop our State in a democratic sense on this basis and to demand the honoring and respecting of the republic and its symbols. (Animated concurrence among the Socialists and Democrats. Laughter and cries from the Communists.) It will present to the Reichstag without delay the initiative bill on Constitution Day which has been adopted by the Reichsrat. (Disturbance and cries among the National Socialists. Counter cries from the Socialists. Continuous disturbance. President's bell.)

It goes without saying that the Reich Government will protect the Constitution against any illegal attack, from whatever quarter it may come, with all the means at its command. (Very true! from the Socialists and Democrats.)

In this connection the Reich Government relies on the loyal collaboration of the officials. It will take pains to guarantee the rights of officials and to further their interests. Supplementing the resolution already adopted by the former Reichstag on a maximum limit of pensions, the restoration of such a maximum limit and the questions connected therewith will be examined. (Cries from the Communists: Will be examined!) The Government will devote its special attention to a settlement of the legal position of ministers and the creation of a new law on Reich officials, in which the decree on official penalties, which was not settled by the former Reichstag, will be incorporated. Also the passage of the law for which reservation was made in Article 130, paragraph 3, of the Reich Constitution,

on organisations to represent officials, will be furthered in this connection.(Cry from the Communists: Will be examined! Laughter.) To be sure, a great many things must be examined. You, of course, do things much more simply! (Laughter.)

The Reich Government recognises the necessity of a reform of the laws on Reich and State citizenship in the sense of the resolution adopted by the last Reichstag.

The Reich Government will take up anew the electoral reform. It is known that the existing electoral law shows shortcomings which lead to an estrangement between the persons elected and the voters and to a splitting up of the party system. The object of the reform will be to preserve the system of proportional representation fixed by the Constitution, but at the same time to guarantee closer relations between the deputies and the voters. (Approval.)

In the field of educational policy, the settlements to be made by Reich law, as provided for in the Reich Constitution, still await solution. The Reich Government will strive to develop the public school system organically and socially with the object of guaranteeing to all strata of the population an equal share in German cultural possessions. It will furthermore be its task to strive for the solution of the far-reaching problem of the Reich school law in the sense of elevating and improving the German school system, which is already highly efficient. In this connection the position of the school as an organism subordinate to State sovereignty, the structure and organisation of which is based on the provisions of the Reich Constitution, and the rights of religious associations as regards religious instruction and the constitutional freedom of worship, are to be protected, the rights of parents being taken into consideration. (Laughter and cries on the right. Counter-cries from the left.)

The improvement of the physical, mental and moral health of the German people will continue to be a serious care of the Reich Government. It will aid with all its power the institutions and measures for the investigation and combating of diseases, the reduction of the infantile death rate and the reduction of the abuse of alcohol and it will work for the systematic enlightenment of the nation in these respects. It will likewise devote its attention to the cultivation of physical training, which fortunately is gaining more and more ground as a means for increasing the physical strength of our youth. The Reich Government will consider its special duty to be the furthering of the great tasks of technical matters, research work, science and art with all its strength and to do away with the distress in this field.

An important task accrues to the Reich Government in the development of international cultural relations. The Reich Government welcomes it that since our entry into the League of Nations these relations in Germany have already been furthered greatly and that the German commission for international intellectual collaboration convened a short time ago to cultivate them. (Approval.)

The defensive forces of the German Republic will be able effectively to fulfil their tasks - protection of the borders and maintenance of peace and order within Germany - only if they are rooted in the people and have the confidence of all strata of the population. They will best obtain and keep this confidence through loyal work and through a purely patriotic and non-partisan attitude. (Cries.) But their tasks must not be made unnecessarily difficult by drawing them into disputes over political differences. With good-will on all sides it will be and must be possible no longer to treat the questions of the defensive forces from a partisan standpoint (Hear, hear!), for every German to look with pride on our defensive forces and to see

in them only an aid and a protection. The Government, which demands from the defensive forces that they should be a loyal and absolutely reliable support of the republic, will, for its part, take care that the defensive forces are provided, within the scope of their tasks and of the existing Treaties and in accordance with our financial capacity, with all the funds necessary for their tasks.

The great legislative task of the penal code reform - (Cry from the Communists: what about the warship?) - Gentlemen, if you have wishes, I am ready to discuss them with you in the debate. At present it is my task to read a Government statement. (Noisy cries from the Communists.)

The great legislative task of the penal code reform - (Continued cries from the Communists. President's bell.)

It was impossible for the Reichstag to conclude the great legislative task of the penal code reform in the last legislative term. The transitional law makes it possible for the House soon to take up this important task again. Under the experienced guidance of Dr. Kahl, the penal code committee has carried out thorough and valuable preliminary work. Of course the decisions of the committee on the penal code have no binding effect; the Reich Government, too, must reserve for itself the right to take an independent attitude toward the details of these decisions and of the bills which will now be submitted to the new Reichstag. In this connection there will have to be decided especially the question of the abolition of the death penalty. (Cries from the Communists.) But even now the Reich Government will suggest to the State Governments that they suspend death sentences until that time. (Bravo! from the Socialists.) In expressing the hope that it will be possible to overcome many a difference and to arrive at an understanding on the penal code reform, I know I am in agreement with the House. I am strengthened in this conviction by the fact that this great legislative work is at the same time destined to give new expression to the indissoluble

intrinsic relationship of the German Reich with its brothers in Austria. (Bravo!) For the first time after a long period, Austria and Germany join hands in common legislative work which is to bring to us the first great step on uniform laws for Germans. (Cries from the National Socialists.)

There are before the House several initiative motions dealing with the question of amnesty for political offences. The motions depart from the consideration that for a number of offences, which were committed for political reasons in a period of great political excitement and some of which are due to the distress of the inflation era, the time has come for the State to forego further punishment. (Cries from the Communists: Release Hoelz!) The Reich Government hopes that in the discussion of the amnesty motions, which has already begun, the House will reach an understanding on extent, nature and limits of the amnesty, and, in agreement with the House, it attaches special importance to having, through speedy treatment of the motions, the legislative solution of the task concluded before the Reichstag adjourns. (Bravo! from the Socialists)

In the education of young judges, higher administrative officials and lawyers, who are highly educated, filled with sympathy for the new State and able to satisfy the augmented demands of modern political, economic and cultural life, the Reich Government sees a particularly important and urgent task. In a continuation of the discussions with the States which have already begun, the Reich Government hopes soon to arrive at the adoption of a uniform educational procedure to include if possible judicial and administrative jurists, but at the same time to take into account modern educational methods. In this way will be created at the same time the preliminary conditions for a far-reaching interchangeability of officials corresponding to the requirements of the unity of the Reich and for the realisation of the long-desired right of lawyers to practice their professions anywhere they choose in the country.

In the field of tax policy, the Government will devote its attention to the question of the extent to which it is possible to alleviate the oppressive burden of taxation which is specially heavy on the middle and lower classes. This would both increase savings activity and help in the formation of internal capital as well. (Hear! Hear! on the right.) Naturally the answer to this question is dependent upon the further development of our economic position and the judgment of the position of the Reich finances. (Cry from the National Socialists: Long live capitalism!) It will remain to be examined whether under these conditions it appears possible to make a moderate reduction in the income tax rates for lower and middle-sized incomes. Naturally this examination will be dependent upon the course of further developments in general, and this must be awaited. (Hear! hear! from the Communists.) Only in the autumn will it be possible to form a judgment.

It seems very urgent to consider the extent to which incomes up to 8,000 marks, whether liable to wage tax or to assessment, can be relieved of tax pressure in view of the fact that the receipts from the wage tax during the past months of the fiscal year have been such as to indicate that the legal maximum limit will be exceeded. It seems furthermore necessary to redeem now the promise made in the law and to levy that portion of the tax on property required to make up the deficit of 40 million marks in 1926 as compared with the budget estimates. (Cry from the right: Do you call that reducing taxes?) The bill to this end was submitted to the Reichsrat by the preceding Government. (Great amusement on the left.) It will now have to be adopted there and then go before the Reichstag. Through the proper choice of the date for this supplementary payment .... (Disturbance. Continual cries from Deputy Torgler. President's bell.)

Through the proper choice of the date for this supplementary payment and through the method of its collection, particularly in regard to weak enterprises

care will be taken to avoid undue hardships in connection with the supplementary payments.

Special attention will have to be given to the financial relationship between the Reich, the States and the communes. The most important basis for a future development of the financial settlement, which is so important for the whole financial situation, is a uniform settlement of the material law on real taxes and the house rent tax; this is to be brought about through a tax simplification law, the draft of which is already engaging the Reichsrat. Such a law is to bring about a great step forward as regards a just distribution of all tax burdens and is to further an expedient Reich and administrative reform.

As to financial administration in general, it may be expected on the basis of the results of the expired months of this fiscal year that taxes and administrative revenues will amount substantially to the budget estimates unless some unexpected change should take place. Since on the other hand no surplus receipts may be expected the most economical budgetary practices are absolutely necessary in order to prevent any danger to the equilibrium of our finances, as such danger must be averted under all conditions. The size of the extraordinary budget and of the resulting loan requirements - in spite of the progress made in this respect in the recent past - continues to be the subject of grave misgivings. The present Government will continue with all emphasis the endeavours to improve the situation in this respect. In view of the increasing expenditures of the next few years and of the disappearance of several revenues still coming in this year, it considers itself obliged to do everything in its power to secure the orderliness of our finances from reversals. But financial problems cannot be considered without reference to the close connection between them and the reparation obligations of Germany.

This will require the greatest care, whether it is general economic policy or the borrowings and expenditures of German public bodies that are under consideration. It has been possible to arrive at a settlement of loan policy which has been made in close contact with the public bodies concerned. In future also foreign loans seem desirable only if they correspond to the economic principles of productivity and profitability.

The Government agrees with the conference of the States and with the whole nation that the present settlement of the relationship between the Reich and the States is unsatisfactory and requires thorough reform. (Very true! from the Socialists.) It approaches this vital problem in the consciousness of the necessity of a strong Reich power, of the significance of the manifold pecularities of German national life and of the requirements of the most economical financial practices of the public budgets. It will endeavour to arrive at a satisfactory solution in close collaboration with the States.

The creation of a Reich administrative court as the next step toward simplification will be emphatically furthered. Fundamental agreement with Prussia has already been reached to the end that the Prussian Supreme Administrative Court is to be merged with the Reich Administrative Court.

Ladies and Gentlemen! the declaration of the new Reich Cabinet as put before you shows you that we earnestly and sincerely desire to solve the great tasks assigned to us with all the strength at our disposal. But the exhaustive program we have set for ourselves cannot be put into effect unless there is an end to the era of crises and until the political situation is so firm and consolidated that the whole energy of the Reich Government can be concentrated on the fulfilment of its functions. This is the unanimous wish

of our people and corresponds to the will of the Reich Cabinet. The Government lays claim to the leadership along the way to reconstruction, and trusts that the majority of this House will support its program. (Great applause from the Socialists and in the middle. Cries from the Communists. Renewed applause from the Socialists and in the middle.)

The following is a translation of the balance sheet of the Rentenbank as at June 30, 1928, as published in the Reichsanzeiger No. 164 of July 16, 1928:

	May 31, 1928	June 30, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on May 31,1928, 1,199,845,000 Rentenmarks as on June 30, 1928, 1,199,845,000 Rentenmarks		
Loan to the Reich	750,582,208.78	738,658,107.44
Outstanding claim (Rentenbank-Kreditanstalt)	87,774,106.85	87,763,525.70
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	98,821.10	95,969.61
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	3,361,767.78	3,404,788.10

DR/DIC.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 18, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT JUNE 30, 1928.

(cf.DOC. 294)

The following is a translation of the balance sheet of the Rentenbank as at June 30, 1928, as published in the Reichsanzeiger No. 164 of July 16, 1928:

	May 31, 1928	June 30, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on May 31,1928, 1,199,843,000 Rentenmarks as on June 30, 1928, 1,199,843,000 Rentenmarks		
Loan to the Reich	750,382,203.76	739,888,107.44
Outstanding claim (Rentenbank-Kreditanstalt)	57,774,103.35	57,783,525.70
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	98,821.10	95,969.81
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	3,381,767.78	3,404,768.10

LIABILITIES	May 31, 1928	June 30, 1928
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	610,060,208.-	599,566,112.-
under earmark with the Reichsbank	70,082,498.-	70,082.498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the Liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	157,000.-	157,000.-
Credit balance of the Rentenbank-Kreditanstalt	1,814,770.61	1,778,711.51
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	5,979,470.33	6,002,470.33
Miscellaneous liabilities	501,055.45	504,855.65

Under § 7a of the Law on the Liquidation of Rentenbank Notes a further 10,494,096.32 Rentenmarks out of interest received from the owners of mortgaged land were paid into the sinking fund at the Reichsbank; the loan to the Reich and the Rentenbank notes in circulation were correspondingly reduced.

Since the coming into force of the Law on the Liquidation of Rentenbank Notes the following quantities of Rentenbank notes have accordingly been amortised:

Rentenmarks	242,683,192.75	under §	7a of the Law
"	210,000,000.-	" §	7b " " "
"	77,511,198.10	" §	7c " " "
"	880,334,583.-	" §	11 " " "
Total Rentenmarks	1,410,528,973.85		

Transl. 5921.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 16, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT JULY 31, 1928.

(cf. DOC. 297)

The following is a translation of the balance sheet of the Rentenbank as at July 31, 1928, as published in the Reichsanzeiger No.188 of August 14, 1928.

	June 30, 1928	July 31, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 30.6.28 RtM. 1,199,843,000 as on 31.7.28 " 1,199,844,000		
Loan to the Reich	739,888,107.44	721,384,932.03
Outstanding claim (Rentenbank-Kreditanstalt)	57,785,525.70	53,531,170.75
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	95,969.81	2,673,429.28
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,404,768.10	3,381,767.51

LIABILITIES	June 30, 1928	July 31,1928
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	599,566,112.--	581,063,936.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	157,000.--	156,000.--
Credit balance of the Rentenbank-Kreditanstalt	1,778,711.51	-
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,002,470.33	6,002,470.33
Miscellaneous liabilities	504,855.65	503,129.22

The Sinking Fund at the Reichsbank has been credited, in accordance with § 7a of the Liquidation Law, with a further sum of RtM 3,503,175.41 from receipts in respect of interest due from persons and concerns subject to the agricultural charge, and,in accordance with § 7b, with the RtM 15,000,000 due on July 1, being the amount of the reduction in the Loan to the Reich and the Rentenbank note circulation.

Since the Liquidation Law came into force, the following amounts of Rentenbank notes have been redeemed:

RtM	246,186,368.16	under	§ 7a	of	the	Liquidation	Law
"	225,000,000.--	"	§ 7b	"	"	"	"
"	77,511,198.10	"	§ 7c	"	"	"	"
"	880,334,583.--	"	§ 11	"	"	"	"
Together	RtM 1,429,032,149.26.						

The Rentenbank note circulation rose by RtM 1000, corresponding to the fall in the circulation of Rentenbriefe.

Transl. 6001.
MH.

I.I.9.4140 DOC. 299

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 15, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT AUGUST 31, 1928.

(cf. DOC. 298)

The following is a translation of the balance sheet of the Rentenbank as at August 31, 1928, as published in the Reichsanzeiger No. 215 of September 14, 1928.

	July 31, 1928	August 31, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.7.28 RtM 1,199,844,000 as on 31.8.28 RtM 1,199,844,000		
Loan to the Reich	721,384,932.03	719,034,226.--
Outstanding claim (Rentenbank-Kreditanstalt)	53,531,170.75	53,494,941.60
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	2,673,429.28	2,802,680.02
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,381,767.51	3,381,767.54

LIABILITIES	July 31, 1928	August 31, 1928
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	581,063,936.--	578,713,230.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,002,470.33	6,001,270.33
Miscellaneous liabilities	503,129.22	503,189.23

The Sinking Fund at the Reichsbank has been credited in accordance with § 7 a of the Liquidation Law with a further sum of RtM 2,350,706.03 on account of interest received from holders of the mortgaged property: this is the sum whereby the two items "Loan to the Reich" and "Rentenbank notes in circulation" have been reduced.

Since the coming into force of the Liquidation Law, Rentenbank notes have been redeemed in this way, as follows:

RtM	248,537,074.19	in accordance with § 7a of the Law
	225,000,000.--	" " " § 7b " " "
	77,511,198.10	" " " § 7c " " "
	880,334,583.--	" " " § 11 " " "
Total	RtM 1,431,382,855.29	

Transl. 6135
QW.

I.I.9.4140 DOC. 300

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 17, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT SEPTEMBER 30, 1928.

(cf. DOC. 299)

The following is a translation of the balance sheet of the Rentenbank as at September 30, 1928 as published in the Reichsanzeiger No. 242 of October 16, 1928.

	August 31, 1928	September 30, 1928
ASSETS		
Charge upon German agriculture in favour of the Rentenbank..	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on August 31, 1928 Rtm. 1,199,844,000 as on Sept. 30, 1928 Rtm. 1,199,844,000		
Loan to the Reich	719,034,226.--	716,878,964.74
Outstanding claim (Rentenbank-Kreditanstalt)	53,494,941.60	53,386,636.65
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks ...	2,802,680.02	3,017,319.96
Real property of the Bank.....	300,000.--	300,000.--
Miscellaneous assets	3,381,767.54	3,407,357.80

LIABILITIES	August 31, 1928	September 30, 1928.
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	578,713,230.--	576,557,969.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,001,270.33	6,026,860.33
Miscellaneous liabilities	503,189.23	500,840.10

Under § 7a of the Law on the liquidation of Rentenbank notes a further Rtm. 2,155,261.26 in respect of interest receipts from the owners of mortgaged land has been paid into the sinking fund with the Reichsbank, the loan to the Reich and the Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes Rentenbank notes to the following amount have accordingly been amortised:

Rentenmarks	250,692,335.45	under § 7a of the Law
"	225,000,000.--	" § 7b " " "
"	77,511,198.10	" § 7c " " "
"	880,334,583.--	" § 11 " " "
together "	1,433,538,116.55	

Transl. 6195.

I.I.9.4140 DOC. 301

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 23, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT OCTOBER 31, 1928.

(cf. DOC. 300)

The following is a translation of the balance sheet of the Rentenbank as at October 31, 1928, as published in the Reichsanzeiger No. 267 of November 14, 1928.

	September 30, 1928	October 31, 1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 30.9.28 RtM.1,199,844,000 as on 31.10.28 RtM.1,199,844,000		
Loan to the Reich	716,878,964.74	698,472,677.10
Outstanding claim (Deutsche Rentenbank-Kreditanstalt)	53,386,636.65	53,225,909.60
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	3,017,319.96	3,303,619.30
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,407,357.80	3,381,767.44

LIABILITIES	September 30, 1928	October 31, 1928
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	576,557,969.--	558,151,681.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,026,860.33	6,023,610.33
Miscellaneous liabilities	500,840.10	500,730.10

Under § 7a of the Law on the liquidation of Rentenbank notes a further RtM. 3,406,287.64 in respect of interest receipts from the owners of mortgaged land has been paid into the sinking fund with the Reichsbank together with the sum of RtM. 15,000,000 due on October 1 under § 7 b of the Law, the loan to the Reich and the Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amount have accordingly been amortised:

RtM.	254,098,623.09	under	§ 7 a of the Law
"	240,000,000.--	"	§ 7 b " " "
"	77,511,198.10	"	§ 7 c " " "
"	880,334,583.--	"	§ 11 " " "
Together	" 1,451,944,404.19		

Transl. 6367.
QW.

I.I.9. 4140 DOC. 302

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 20, 1928.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT NOVEMBER 30.1928.

(cf. DOC. 301)

The following is a translation of the balance sheet of the Rentenbank as at November 30, 1928 as published in the Reichsanzeiger No.292 of December 14, 1928.

ASSETS	October 31, 1928	November 30, 1928
Charge upon German agriculture in in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on Oct.31,1928 RtM 1,199,844,000 as on Nov.30,1928 " 1,199,844,000		
Loan to the Reich	698,472,677.10	677,566,298.29
Outstanding claim (Rentenbank-Kreditanstalt)	53,225,909.60	52,974,599.60
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	3,303,619.30	3,662,427.11
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,381,767.44	3,432,558.98

LIABILITIES	October 31, 1928	November 30, 1928
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation :		
in public circulation	558,151,681.--	537,245,302.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the Liquidation of Rentenbank Notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,023,610.33	6,022,410.33
Miscellaneous liabilities	500,730.10	551,459.03

A further RtM 20,906,378.81 have been transferred to the sinking fund with the Reichsbank under § 7a of the Law on the Liquidation of Rentenbank Notes out of interest received from the parties subject to the agricultural mortgage, and the loan to the Reich and the Rentenbank notes in circulation are correspondingly reduced.

The following amounts of Rentenbank notes have thus been amortised since the coming in force of the Liquidation Law:

under § 7a of the Law	RtM	275,005,001.90
" § 7b " " "	"	240,000,000.--
" § 7c " " "	"	77,511,198.10
" § 11 " " "	"	880,334,583.--
together	"	1,472,850,783.--

Transl. 6547.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 10, 1929.

GERMANY'S ECONOMIC POSITION AT THE TURN OF THE YEAR 1928-29.

(Published by the Reichs-Kredit-Gesellschaft, Berlin)

(Cf. DOC. 295)

The Reichs-Kredit-Gesellschaft A.G., Berlin, has published a report on "Germany's Economic Position at the turn of the year 1928-29", a translation of which follows herewith:

Ten years after the close of hostilities it is possible to arrive at a conspectus of the economic development of the principal industrial countries - Great Britain, France, Belgium, Italy, the United States of America and Germany. All these States have made considerable efforts to wipe out the material damage caused by the war, to develop their powers of production and fill up their capital reserves. But the results obtained differ very greatly. The United States, France, Belgium, Italy and Great Britain have been able to increase their economic strength and their prosperity much above the pre-war level. Germany alone is much below the pre-war level - in respect alike of her economic activity and of the welfare of her people - in spite of the very great efforts made during the last ten years.

The reason for this uneven development is that the work to be accomplished, the resources which the various States can command for purposes of reconstruction, and finally the difficulties to be overcome have differed considerably. Whilst the destruction of capital as a result of the war took the form in other countries mainly of destruction of territory and foreign indebtedness, in Germany it took the form pre-eminently of confiscations and the exhaustion and depreciation of plant and stocks. The other States were able

to draw upon the help of the whole world after the close of the war: they could make use of the great advantages of international co-operation. Germany was deprived of all such assistance, and in addition had surrendered to the other States nearly all her capital reserves abroad which might have eased her position.

The surrender of her foreign investments and of her mercantile marine to these States deprived Germany of an annual income amounting to more than two milliard marks pre-war value, all of which now goes to the present holders. The capital value of these items exceeds the total of the inter-Allied debts by more than one-half or, if monetary depreciation is taken into account, by more than double. Germany suffers all the time from the lack of these capital reserves, which are indispensable for a country with so many intricate international relations as Germany.

Germany has been very appreciably injured by her year-long exclusion from world competition. For many years after the conclusion of peace German traders were still subjected to restrictions in regard to residence in other countries, and these restrictions have even now not been entirely removed. It was not until 1925 that Germany recovered her independence in regard to commercial treaty relations, and it was not until 1924 that she had the advantage of regular imports of foreign capital. For a long time large districts of the Reich were separated from the rest of the country, and even now important territories are occupied by foreign troops.

A further cause preventing Germany's recovery is to be found in the fact that she has since the war made large annual payments in gold, foreign exchange and deliveries in kind of all kinds, to the countries entitled to receive reparations. There is no doubt that these payments have contributed greatly to the rapid economic revival of the other countries. They have to a still greater degree hindered the recovery of Germany, as they have had to be raised by a country deprived of capital.

Germany has not only had to overcome big difficulties: she has been and is faced with harder economic tasks than most other countries. She has to make provision for a larger increase of population than any other industrial nation of Europe. The population increased during the period 1913 to 1928 as follows:

Germany (present territory of the Reich not including the Saar)	3.73 millions
Great Britain (not including Ireland) . . .	3.14 "
Belgium	0.60 "
Italy (not including new territory)	2.50 "

There was a decrease in

France (present territory) of . . . . . 0.37 millions.

The crying shortage of dwellings in Germany - the shortage is estimated to be half a million dwellings more than before the war - shows how little Germany has been able up to the present to fulfil the duties arising out of the movement of her population, although very great efforts have been made during recent years to improve matters.

The differences in the economic strength of the individual countries and their development during the past ten years are to-day conspicuous and apparent. The margin between the other industrial countries and Germany appears to be increasing, owing to the fact that, in the absence of an adequate supply of capital and the resulting high rate of interest, the exploitation of Germany's productive energies is beginning to be less satisfactory than it was.

P R O D U C T I O N

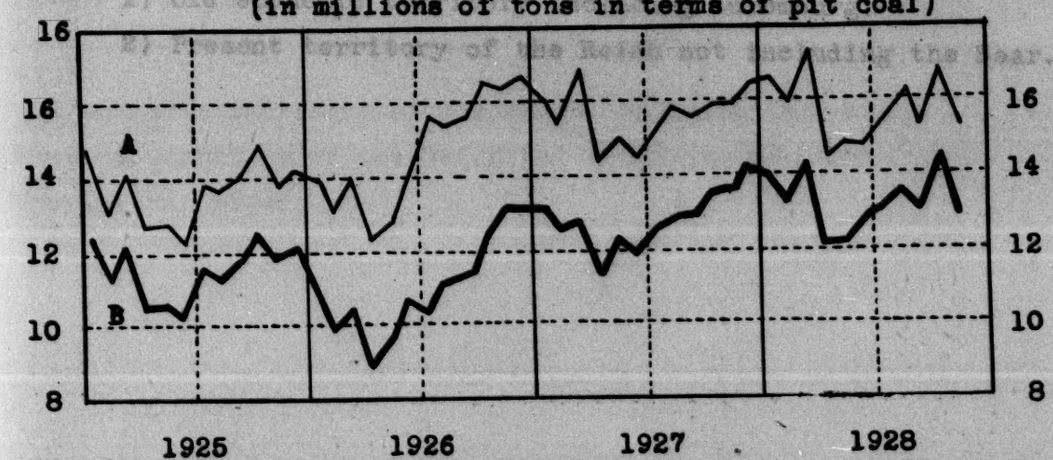
Taken as a whole, Germany's industrial output has remained on the average approximately on the same level as in the previous year. There has been a movement and re-arrangement in individual branches of trade and in the figures for home and foreign sales. Whereas in 1927 there was an upward movement, 1928 reveals a downward tendency with reduced results. Increased foreign sales only

partially compensated for a drop on the home market: they lowered the rate of the decline, but were not able to save the situation.

The industries which work for the requirements of the increased population in Germany or in other countries suffered least from the downward movement. The fall in home sales and therefore in output was all the more noticeable in the industries manufacturing goods for direct consumption or for the building up of stocks. The relatively satisfactory employment of the German machinery of production during the last two years is not a result of over-expansion but rather a symptom of changes in the economic structure of the country and the result of very large unsatisfied requirements. These requirements always make themselves felt very decidedly whenever there is any improvement in the supply of capital.

The statistics of the production and consumption of coal in recent years are typical of the development of Germany's industrial output as a whole. The fluctuations during the year are due to seasonable influences. The total output of coal and the home sales of this article have remained at approximately the same level as in the previous year owing to the increased output and sales of lignite. Output and sales of pit coal have however slightly fallen, although pit-head stocks have increased. This is all the more noticeable in view of the fact that in pre-war days the output of coal only fell off in times of crisis.

A = PRODUCTION OF COAL B = HOME COAL SALES
(in millions of tons in terms of pit coal)



COAL EXTRACTED

DATE	Production			Pit Head Stocks			Amount of coal extracted per working day in the Ruhr	
	Coal	Lignite	Coke	Ruhr	Upper Silesia	Lower Silesia	Coal	Coke
	Monthly average in 1,000 tons			At the end of the month				
1913 1)	15,842	7,269	2,886	.	.	.	.	.
1913 2)	11,729	7,269	2,639	.	.	.	378.6	68.4
1924 2)	9,902	10,363	1,977	3,385	221	319	311.0	56.6
1925 2)	11,051	11,644	2,366	6,698	384	323	344.5	61.8
1926 2)	12,108	11,656	2,275	5,208	235	231	370.3	60.8
1927 2)	12,800	12,567	2,688	1,693	266	156	390.3	75.1
1927								
1st quarter	13,382	12,391	2,633	1,510	133	128	411.4	74.6
2nd "	11,970	11,726	2,549	1,792	307	192	383.0	71.5
3rd "	12,781	12,604	2,695	1,848	284	185	374.7	75.4
4th "	13,065	13,364	2,875	1,621	341	118	396.0	79.8
October 1927	13,094	12,529	2,859	1,797	337	135	384.1	78.4
November 1927	12,864	13,430	2,828	1,624	354	122	404.7	80.3
1928								
1st quarter	13,488	14,014	2,983	1,382	388	111	401.7	83.9
2nd "	11,827	12,823	2,732	1,990	391	119	373.1	75.6
3rd "	12,554	13,826	2,916	2,572	485	163	363.2	80.2
4th "								
October 1928	13,311	15,226	2,939	2,815	389	79	377.2	80.6
November 1928	12,141	14,548	2,311	.	.	.	366.4	63.5

1) Old economic territory including Luxemburg.

2) Present territory of the Reich not including the Saar.

CONSUMPTION OF COAL

DATE	Total amount of coal extracted	Imports	Exports		Increase (+) or decrease (-) in pithead stocks	Consumption by home markets			
			Free	For Reparation account		Total		Per head	
						in 1,000 tons	% of 1913	In Kg.	% of 1913
	in 1,000 tons								
	Monthly average in terms of coal								
1913 1)	17,458	1,345	3,863	-	.	14,960	.	.	.
1913 2)	13,345	.	.	-	.	12,325	100.0	205.4	100.0
1924 2)	12,205	1,272	2,059		+ 448	10,970	89.0	176.4	85.9
1925 2)	13,639	781	1,671	1,260	+ 154	11,335	92.0	181.4	88.3
1926 2)	14,698	363	3,487	1,240	- 719	11,053	89.7	175.7	85.5
1927 2)	15,592	611	2,495	1,095	- 196	12,809	103.9	202.4	98.5
1927									
1st quarter	16,157	541	3,206	1,020	- 367	12,839	104.2	203.3	99.0
2nd "	14,576	565	2,393	1,130	- 189	11,807	95.8	186.6	90.8
3rd "	15,582	617	2,425	1,061	- 90	12,803	103.9	202.1	98.4
4th "	16,035	721	1,955	1,166	- 167	13,802	112.0	217.4	105.8
October 1927	15,878	709	2,188	1,198	- 128	13,527	108.1	210.0	102.2
November 1927	15,848	704	1,828	1,171	- 169	13,668	111.3	216.2	105.3
1928									
1st quarter	16,602	700	1,976	1,391	+ 105	13,831	112.2	217.6	106.1
2nd "	14,676	748	1,606	1,156	+ 269	12,394	100.6	194.6	94.7
3rd "	15,626	867	1,757	1,302	+ 226	13,208	107.1	207.0	100.8
October 1928	16,695	954	1,968	1,310	.	14,370 (appr.)	116.2	224.5	109.0
November 1928	15,373	939 3)	3,482 3)		.	12,830 (appr.)	104.0	201.0	98.0

1) Old economic territory of the Reich including Luxemburg.

2) Present territory of the Reich not including the Saar.

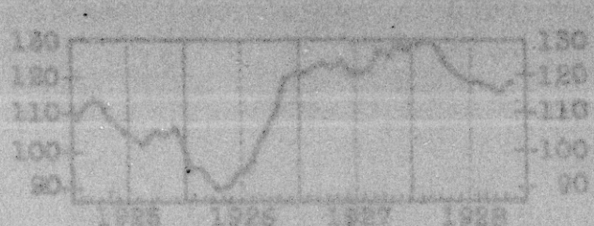
3) Provisional figure.

FLUCTUATIONS OF COAL PRODUCTION

PERIOD	Germany			
	Coal		Lignite	
	Maximum yearly increase	Maximum yearly reduction or minimum increase	Maximum yearly increase	Maximum yearly reduction or minimum increase
	in per cent			
1892 - 1900	+ 8	- 3	+ 18	+ 2
1901 - 1910	+ 13	- 1	+ 11	- 3
1911 - 1913	+ 9	+ 5	+ 10	+ 6
	Increase as compared with the previous year in per cent	Reduction	Increase as compared with the previous year in per cent	Reduction
1925	+ 12	-	+ 12	-
1926	+ 10	-	-	- 1
1927	+ 6	-	+ 8	-
1928 [1]	-	- 1	+ 12	-

1) Increase in first 10 months of 1928, as compared with the corresponding period of the preceding year.

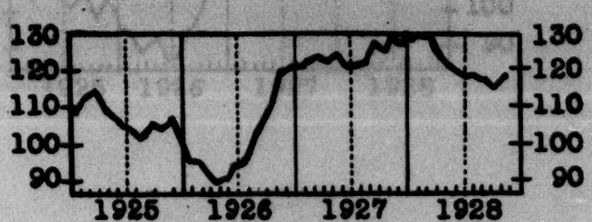
The index of industrial output established by the Institut für Konjunkturforschung reveals an increased fall since the beginning of the second quarter. The fluctuations of industrial activity are more evident in this index than in the case of coal consumption.



INDUSTRIAL PRODUCTION
(Average 1924/26 = 100)

PERIOD	1925	1926	1927	1928
January	108.9	95.4	120.3	127.8
February	112.7	95.3	122.0	129.2
March	113.7	92.5	123.3	128.1
April	109.9	89.9	122.3	124.6
May	106.7	90.9	124.3	121.5
June	104.7	93.4	121.0	118.8
July	103.5	94.5	121.0	117.5
August	101.2	101.3	121.9	117.8
September	105.2	106.2	126.9	117.6
October	103.8	111.0	125.0	116.5
November	106.8	118.7	129.3	
December	101.6	120.3	126.5	

INDEX OF PRODUCTION
(Average 1924/26 = 100)



FLUCTUATIONS OF INDUSTRIAL PRODUCTION

(calculated on the basis of the index of production of the Institut für Konjunkturforschung)

	1925	1926	1927	1928
Reduction and increase in each year, as compared with the preceding year	+ 19	- 6	+ 23	
Reduction and increase in the first nine months of each year, as compared with the corresponding period of the preceding year	+ 29	- 9	+ 28	- 0.1

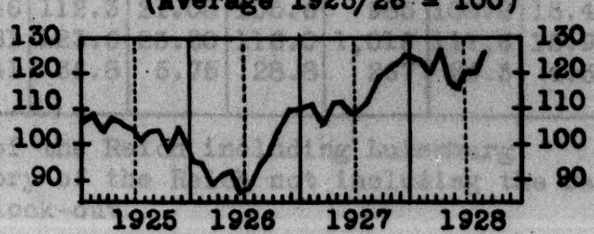
The consumption of electricity for industrial purposes per kw consumer's terminal power fell during the second quarter, but rose again during the third quarter for approximately an equivalent amount.

INDUSTRIAL CONSUMPTION OF ELECTRICITY

PERIOD	Amount of current delivered per working day for 1 kw of consumer's terminal power (Monthly average 1925/26 = 100)			
	1925	1926	1927	1928
1st quarter	106.34	92.68	108.95	122.27
2nd quarter	105.62	90.16	110.84	118.66
3rd quarter	103.01	93.03	113.27	121.81
4th quarter	101.30	107.86	122.44	

INDUSTRIAL CONSUMPTION OF ELECTRICITY

(Average 1925/26 = 100)



FLUCTUATIONS IN AMOUNT OF CURRENT DELIVERED PER WORKING DAY

	1926	1927	1928
Percentage of reduction and increase as compared with the preceding year	- 8	+ 18	
Percentage of reduction and increase for the first three quarters of each year, as compared with the first three quarters of the preceding year	- 13	+ 19	+ 10

The great decrease in the home sales of the iron industry deserves special note. There was also an appreciable decrease in production, although this was to some extent counterbalanced by increased exports.

PRODUCTION OF IRON

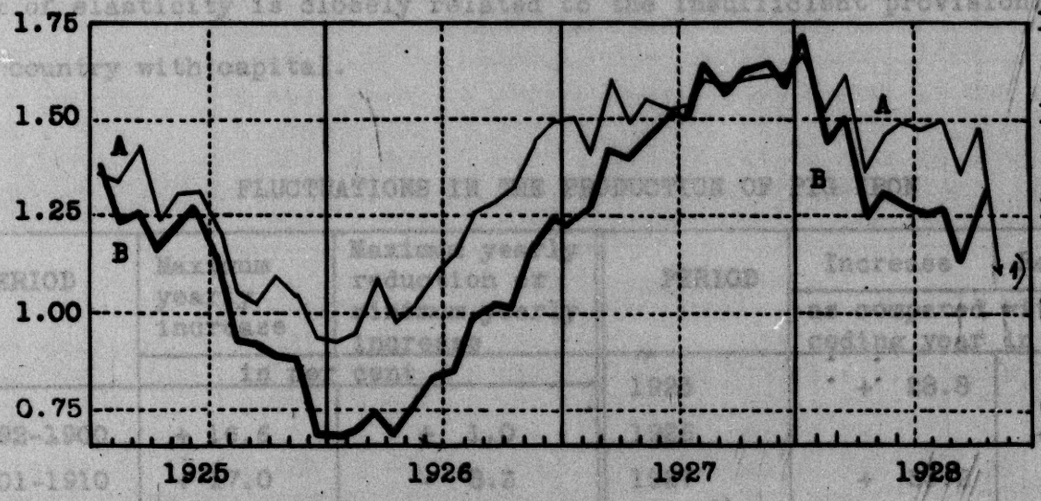
(Monthly average)

DATE	Total Production				Pig Iron				Steel			
	Total		Per head		Total		Per head		Total		Per head	
	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913
1913 1)	1,832	-	.	-	1,609	-	.	-	1,572	-	.	-
1913 2)	1,198	100.0	19.97	100.0	910	100.0	15.17	100.0	981	100.0	16.35	100.0
1925 2)	1,196	99.8	19.18	96.0	841	92.4	13.57	89.5	1,004	102.4	16.29	99.6
1926 2)	1,169	97.6	18.59	93.1	804	88.4	12.78	84.2	1,026	104.6	16.35	100.0
1927 2)	1,554	129.7	24.55	122.9	1,092	120.0	17.25	113.7	1,359	138.5	21.47	131.3
1928 2)												
January	1,681	140.3	26.45	132.5	1,181	129.8	18.58	122.6	1,469	149.7	23.12	141.5
February	1,523	127.1	23.95	119.9	1,122	123.3	17.65	116.3	1,322	134.8	20.80	127.2
March	1,632	136.3	25.67	128.5	1,170	128.6	18.39	121.2	1,420	144.8	22.32	136.5
April	1,360	113.6	21.37	107.0	1,048	115.2	16.46	108.5	1,159	118.1	18.21	111.4
May	1,465	122.3	23.00	115.2	1,044	114.7	16.39	108.0	1,249	127.3	19.61	119.9
June	1,489	124.3	23.37	117.0	1,021	112.2	16.02	105,6	1,295	132.0	20.32	124.3
July	1,479	123.5	23.20	116.2	1,036	113.8	16.25	107.1	1,314	133.9	20.61	126.0
August	1,497	125.0	23.43	117.3	1,031	113.3	16.16	106.5	1,331	135.7	20.83	127.4
September	1,346	112.3	21.08	105.6	985	108.2	15.43	101.7	1,190	121.3	18.64	114.0
October	1,481	123.6	23.20	116.0	1,016	111.6	15.90	105.0	1,306	133.1	20.45	125.0
November 3)	441	36.8	5.75	28.8	267	29.3	4.58	31.6	357	36.4	5.70	34.8

1) Old territory of the Reich including Luxemburg.
2) Present territory of the Reich not including the Saar.
3) Influenced by lock-out.

A = IRON PRODUCTION
B = CONSUMPTION OF IRON BY HOME MARKET

(in million tons)



1) Influenced by lock-out.

CONSUMPTION OF IRON

DATE	Total production	Imports	Free exports	Reparation exports	Home sales 1)	Surplus of exports over imports of manufactured iron goods 1)
	Pig-iron and Steel					
	in 1,000 tons					in million RM
Monthly average						
1925	1,196	117	230	6	1,077	89.70
1926	1,169	98	376	8	883	102.81
1927	1,554	229	293	6	1,484	95.58
1928						
January	1,681	287	246	4	1,718	94.55
February	1,523	229	304	4	1,444	100.38
March	1,632	234	342	5	1,519	108.53
April	1,360	232	329	5	1,258	98.81
May	1,465	173	319	4	1,315	102.79
June	1,489	166	364	9	1,282	112.91
July	1,479	171	375	13	1,262	114.87
August	1,497	182	406	12	1,261	121.89
September	1,346	162	377	9	1,122	131.98
October	1,481	151	317	9	1,306	111.34
November	441	.	.	.	.	115.70

1) Including deliveries on reparation account.

A comparison of the fluctuations in production reveals the extent to which the market has become unelastic in the case of this industry. This lack of elasticity is closely related to the insufficient provisioning of the country with capital.

FLUCTUATIONS IN THE PRODUCTION OF PIG IRON

PERIOD	Maximum yearly increase	Maximum yearly reduction or minimum yearly increase
	in per cent	
1892-1900	+ 16.6	+ 1.0
1901-1910	+ 17.0	- 8.3
1911-1913	+ 13.1	+ 5.3

PERIOD	Increase	Reduction
	as compared with the preceding year in per cent	
1925	+ 28.8	
1926		- 4.4
1927	+ 33.2	
1928 [1]		- 3.1

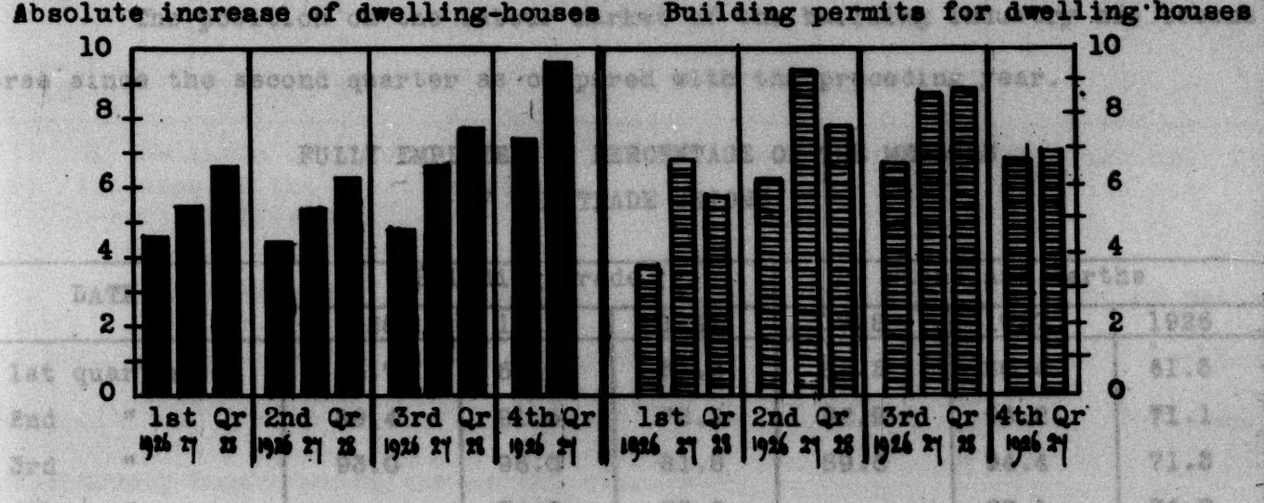
1) Increase in the first ten months of 1928, as against the corresponding period of the previous year.

The decrease in the home sales of the iron industry is remarkable chiefly for the fact that building activity has remained at the same level as the preceding year - as a result mainly of subsidies received from the public authorities and of the large number of buildings begun last year but still awaiting completion.

BUILDING ACTIVITY

	Absolute increase								
	Dwelling houses			Public and industrial buildings in large and medium-sized towns			Apartments		
	1928	1927	1926	1928	1927	1926	1928	1927	1926
1st quarter	6,644	5,468	4,602	1,253	1,359	1,610	27,898	20,594	15,175
2nd "	6,226	5,402	4,441	1,493	1,155	1,329	25,479	21,375	16,233
3rd "	7,657	6,600	4,840	1,584	1,244	1,274	28,973	25,217	17,689
4th "	.	9,578	7,333	.	1,810	1,449	.	37,954	26,258
October	3,006	2,804	2,123	540	550	419	13,246	10,894	7,821
	Building permits								
1st quarter	5,687	6,719	3,627	2,083	2,463	2,261	20,011	22,417	8,985
2nd "	7,694	9,284	6,192	2,551	3,073	2,678	27,125	33,378	15,849
3rd "	8,772	8,593	6,585	2,366	3,142	2,674	34,784	32,081	16,735
4th "	.	6,373	6,236	.	3,047	2,721	.	23,792	16,736
October	2,710	2,483	2,264	801	1,029	762	13,140	9,171	5,406

BUILDING ACTIVITY IN THE LARGE AND MEDIUM-SIZED TOWNS



NUMBER AND SIZE OF BUILDINGS FOR INDUSTRIAL AND OTHER ECONOMIC PURPOSES IN 82 LARGE AND MEDIUM-SIZED TOWNS IN 1928.

	Building permits		New Buildings begun		Buildings completed	
	Number of buildings	1,000 cbm space built on	Number of buildings	1,000 cbm space built on	Number of buildings	1,000 cbm space built on
January	474	655	199	556	322	941
February	478	760	234	574	309	471
March	690	1,362	350	791	326	432
April	635	882	416	825	400	566
May	749	1,191	390	762	469	659
June	641	975	394	653	427	578
July	624	1,130	366	746	384	1,122
August	574	930	382	1,080	511	780
September	631	1,410	397	1,100	513	1,250
October	643	1,130	432	720	492	930

The building permits for industrial and public buildings have fallen very considerably in number during the current year, so that a decline in building activity must be expected under this head.

The position on the labour market of the building industry has become worse since the second quarter as compared with the preceding year.

FULLY EMPLOYED IN PERCENTAGE OF THE MEMBERS OF THE TRADE UNIONS

DATE	Building trade			Stone and earths		
	1928	1927	1926	1928	1927	1926
1st quarter	66.7	64.4	57.2	85.5	80.4	61.3
2nd "	89.4	91.5	76.2	92.9	93.2	71.1
3rd "	93.0	96.0	81.8	89.6	94.4	71.3
4th "		74.2	73.9		87.1	76.7

Apartment building is at the present time less dependent on trade fluctuations than before the war. A considerable portion of the funds is no longer obtained on the open market, but is derived from the Rents Tax (Hauszinssteuer), which is almost entirely independent of trade conditions. The need is so great that the question of cost - before the war the deciding factor - is now less important than that of the welfare of the population.

FLUCTUATIONS IN BUILDING ACTIVITY - DWELLING HOUSES

	1891 - 1900 [1]	1901 - 1910 [1]	1911 - 1920 [1]	1921 -1930
	Percentage of increase or decrease each year as compared with the previous year			
1		- 5	+ 16	
2		+ 16	- 12	
3		+ 21	- 19	
4		+ 1		
5		- 11		
6	+ 10	+ 2		+ 33
7	+ 8	- 15		+ 27
8	+ 12	- 17		+ 17 [2]
9	- 2	+ 7		
10	- 8	+ 20		

1) On the basis of calculations by the Institut für Konjunkturforschung.
2) Increase in the first three quarters of 1928 as compared with the same period of 1927.

During the current year the activity of the German machine industry has also been characterised by a falling off in production as a result of fewer home sales, although a rise in foreign sales has slowed down the movement. The downward tendency began during the second quarter.

EMPLOYMENT IN THE MACHINE INDUSTRY
(Compiled on the basis of the reports of the Union of German Machine Construction Undertakings)

June	July	August	September	October	November
There has been a continuation of the falling off of orders observed in the previous months. The orders in hand provide however for sufficient occupation.	Home business less active, no change in foreign business. Further decrease in orders received. Delays in payment.	Downward movement continues. Home orders show a fall of about 10 per cent as compared with previous month. The somewhat more active foreign business does not maintain the level of the previous month	Home enquiries and orders received continue to fall. Foreign business also falls below the level of the previous month.	Entry of home orders continues to fall. The somewhat bigger number of enquiries received has only led to a slight increase in foreign orders.	Home orders continue to fall. Degree of activity less

The Chambers of Commerce also report a falling off in industrial activity, affecting the various trade branches to a different extent.

DEVELOPMENT OF BUSINESS ACTIVITY IN SOME IMPORTANT BRANCHES OF INDUSTRY DURING THE SECOND HALF OF 1928.

(Based on the reports of the Chambers of Commerce issued by the Prussian Ministry for Commerce and Trade)

Branch of industry	June	July	August	September	October	November
Chemical industry	Continued weakness. Power of absorption of home market only slight. Export sales not satisfactory.	Position still favorable. Degree of activity in all branches still satisfactory.	Foreign business revives, in particular dye exports to Great Britain. General position remains satisfactory.	A revival of business on the home market and of export enquiries was noticeable during the first half of the month. The close of the month again brought a note of weakness.	Activity decreases in the explosives and dyes branches. Demand for nitrates lively.	Business activity as a whole remains satisfactory.
Electrical industry	Number of orders received similar to previous months.	No change in home business. Falling off in foreign sales.	Position unchanged. Falling off in large orders.	Activity same level as previous month. Enquiries however falling off.	The general falling off in trade begins to be apparent.	Business on the whole still favourable. Increasing nervousness however noticeable.
Automobile industry	Passenger car sales falling. Fewer orders for motor lorries.	Further falling off in enquiries and sales. Money conditions show tension. Reduction in customs rates as from July 1.	Position generally satisfactory. Foreign competition very lively.	Business activity shows seasonal influences. Lively demand for passenger cars and lorries.	Reduced activity. Prices unchanged.	The international automobile exhibition brought a revival of enquiries, but only a small proportion led to contracts.

Branch of industry	June	July	August	September	October	November
Cotton industry	The spinning and weaving mills continue to be unsatisfactorily occupied.	Unsatisfactory business continues. Output much in excess of sales.	Position extremely unfavourable. Slight sales activity.	Slight revival noticeable in cotton weaving mills. Spinning mills also report a rise in sales.	Degree of activity of spinning mills still unfavourable. Sales activity of weaving mills somewhat greater.	Position in spinning mills unchanged. Business activity in weaving mills shows big fluctuations.
Woollen industry	Further deterioration in the position of the carded wool yarn mills. Certain branches of cloth industry better employed.	Orders received by carded wool yarn mills continue unsatisfactory.	Increased falling off of activity in combed sliver business. Further falling off in orders received by carded wool yarn mills.	Further falling off in activity of carded wool yarn mills and cloth factories. Cloth wholesale trade shows a seasonal revival.	Position in carded wool yarn mills remains unsatisfactory. The cloth industry shows a slight increase in business (Christmas trade).	Slight revival of activity in the carded wool yarn mills. Number of orders received continues nevertheless to be unsatisfactory.
Silk industry	Continued stagnation. Fewer sales of dress stuffs, but good order entries for tie stuffs. Satisfactory degree of employment in artificial silk industry.	Position not uniform. Better business in dress stuffs and ties industry. The large supply in the artificial silk industry depresses prices.	Position unchanged. The wholesale trade able to reduce its stocks.	Most groups report a revival of business; raw silk prices show a big tendency to rise.	Trade revival continues during the first half of the month, but falls during the second half as a result of the warm temperature.	Position not uniform. Christmas trade brings a certain revival. Sales stagnate in the Ruhr owing to lock-out.

Branch of industry	June	July	August	September	October	November
Linen industry	The position in the spinning and weaving mills continues unsatisfactory.	Delay in calling up yarns ordered. New orders lacking in all branches.	Very unsatisfactory business in weaving mills. Spinning mills also complain of bad markets.	More spinning mills closed down. Cheap foreign yarns make sales difficult.	Position of spinning mills becomes still more unsatisfactory owing to sharp foreign competition.	Business shows no change for the better. Unsatisfactory Christmas trade.
Paper industry	The satisfactory degree of employment continues. The foreign cellulose market remains firm.	Decline in order entries. Position not uniform.	Business in paper and cardboard slow.	Sale conditions on the home market become worse.	Falling off in demand at home and abroad. News print has good sale.	The number of orders decreases. Sale conditions are adversely affected by the Lock-out in the Ruhr.

The more favourable result of the harvest contributed to stemming the decline in trade. The increase in the quantitative results and the improvement in quality have however not been sufficient to compensate the unfortunate results of previous harvests.

HARVEST RETURNS

Present territory of the Reich not including Saar district	1928	1927	1926	Annual average 1920/25	Annual average 1911/13	1928 [1]	1927	1926	Annual average 1920/25	Annual average 1911/13
	in 1.000 tons					in metric quintals per hectare				
Winter rye	8,401	6,738	6,321	6,141	9,453	16.7	14.5	13.6	14.5	18.7
Summer rye	121	95	85	99	132	12.6	11.3	10.7	10.5	12.6
Winter wheat	3,462	2,979	2,355	2,289	3,320	19.9	18.7	16.2	18.1	22.8
Summer wheat	392	301	242	324	445	19.5	18.8	16.5	10.1	22.1
Spelt	168	138	129	155	415	13.9	11.1	10.3	11.5	14.9
Bread cereals together	12,544	10,251	9,132	9,008	13,765	17.0	15.6	14.1	15.2	19.4
Winter barley	460	399	332	255	.	21.5	23.1	20.7	22.3 [2]	.
Summer barley	2,887	2,339	2,131	1,989	2,870	19.0	17.9	16.1	16.3	21.2
Oats	6,996	6,347	6,325	5,198	7,680	17.6	18.3	18.2	15.7	19.8
Lupine	53	61	57	37	.	.	11.7	12.1	10.7 [3]	.
Potatoes	41,269	37,550	30,031	34,231	37,962	130.4	134.1	108.8	127.7	137.7
Sugar beet	11,011	10,854	10,495	9,332	13,986	221.8	250.0	260.5	242.0	299.7 [5]
Cattle turnips	22,644	24,389	23,073	22,513	.	278.6	345.0	317.9	302.5 [4]	.
Clover	7,984	9,682	8,589	8,594	7,535	.	53.0	47.9	44.5	45.9
Lucerne	1,488	1,786	1,690	1,445	1,193	.	64.3	62.1	55.2	57.5
Irrigated meadows ...	1,835	2,028	1,627	1,483	2,110	.	49.6	48.7	45.9	51.8
Other meadows	18,878	21,911	21,631	20,053	20,579	.	43.1	42.1	39.1	42.4

1) Advance estimate. 2) Average 1923/25. 3) Average 1922/25. 4) Average 1921/25.
5) Harvest 1914.

The increase in the yield from the harvest is slow and frequently interrupted according to weather conditions. It is insufficient when set off against the changed conditions of competition and the indebtedness assumed by agriculture during recent years.

Sales of artificial fertilisers are a symptom of the great efforts made by agriculture to improve the quality of the soil. These efforts are likely to be continued during the new harvest year.

THE CONSUMPTION OF ARTIFICIAL FERTILISERS.

Fertiliser year May - April	Nitrates in 1,000 tons N	Phosphates in 1,000 tons P_2O_5	Potash in 1,000 tons K_2O	Burnt lime in 1,000 tons	Carbonate of lime in 1,000 tons
	Present territory of the Reich.				
1913/14	185	555	490	2,000	2,500
1914-1918	86	412	642	.	.
1918-1921	162	209	668	.	.
1921-1924	281	258	669	460	595
1924-1927	357	412	663	578	707
1927/28 June/July..	390	508	733	700	862
	Utilisation of artificial fertilisers in kg. per hectare.				
1913/14	6.00	18.00	15.90	.	.
1927/28	13.45	17.45	25.30	.	.

Although the quantities employed to improve the quality of the soil show a certain stability, the quantitative yield and prices fluctuate. This is a dangerous situation when capital investments are linked up with considerable indebtedness. High rates of interest are a greater burden for agricultural concerns than for industrial; agriculture is more restricted than industry in increasing its turnover. More intensive cultivation, the treatment and improvement of agricultural products taken in conjunction with agricultural output and the manufacture of quality products can improve the utilisation of the invested capital. The increasing inclination manifested throughout the world to consume products of better quality assists re-organisation. By greater uniformity in products the cost of distribution can be reduced and the yield increased.

Only slight modifications are to be found in the figures for the goods traffic of the German Railway.

OPERATING RETURNS OF THE GERMAN RAILWAY.

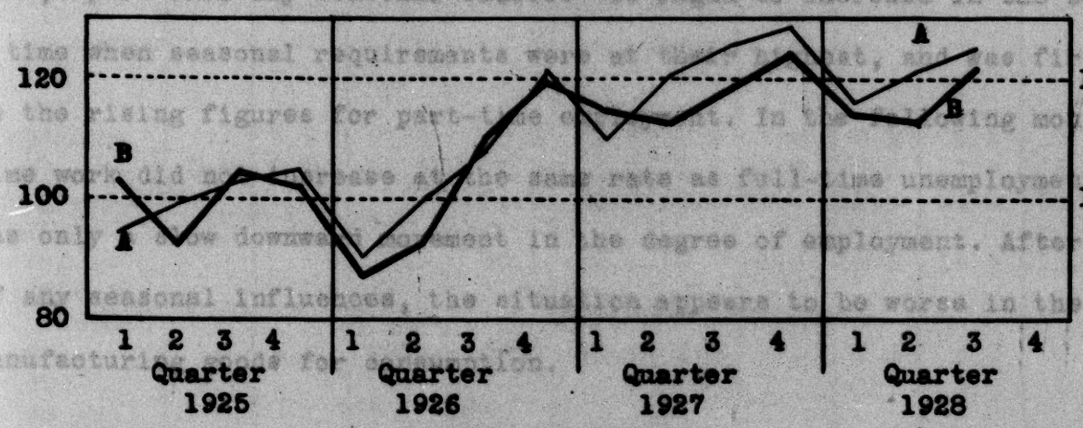
DATE	Ton-kilometers worked [1]		Goods conveyed [1]		No. of cars run per working day	
	In million ton-kilometers	In % of 1913	In millions of tons	In % of 1913	Total	Transport of coal
					in 1,000 cars	
	Monthly Average					
1913 [2]	4,286	100	33.25	100	133.5	64.2
1925	4,664	108.8	31.08	93.5	124.0	51.6
1926	4,918	114.7	31.82	95.7	129.7	52.1
1927	5,407	126.1	36.17	108.8	149.2	59.3
1927						
1st Quarter..	5,423	126.5	34.01	102.3	135.9	58.9
2nd " ..	5,089	118.7	34.51	103.8	148.5	58.4
3rd " ..	5,507	128.5	37.02	111.3	152.6	56.7
4th " ..	5,611	130.9	39.15	117.7	159.7	63.1
October	5,909	137.9	41.29	124.2	166.4	60.6
November	5,527	129.0	39.97	120.2	166.2	65.1
1928						
1st Quarter..	5,322	124.2	36.80	110.7	143.4	60.3
2nd " ..	5,241	122.3	33,82	101.7	149.5	55.5
3rd " ..	5,628	131.3	37.06	111.5	154.5	57.3
October	6,075	141.7	41.22	124.0	162.0	59.9
November						

1) Not including goods carried freight free.
2) Present territory of the Reich, not including the Saar.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

A = Number of cars run per working day. B = Goods traffic.

(1925 average = 100)



In view of the steady increase of turnover in modern economy, a stagnation in the development of traffic signifies a weakening of trade. The following table showing the traffic fluctuations of the German Railway reveals a decrease or failure to increase on the part of railway goods traffic in those years only where trade fell off.

FLUCTUATIONS OF RAILWAY GOODS TRAFFIC IN GERMANY

	1891 - 1900	1901 - 1910	1911 - 1920	1921 - 1930
	Percentage of increase (+) or decrease (-) per annum as compared with the previous year			
1	+ 4.6	- 2.3	+ 6.8	
2	- 0.6	+ 1.9	+ 12.1	
3	+ 5.1	+ 8.7	+ 5.7	
4	+ 4.8	+ 3.1		
5	+ 4.0	+ 7.1		
6	+ 11.6	+ 8.5		+ 5.7 1)
7	+ 7.9	+ 4.4		+ 19.0 1)
8	+ 6.9	± 0.0		+ 1.8 2)
9	+ 6.4	+ 1.7		
10	+ 6.8	+ 8.5		

1) Not including coal.

2) Increase during the first ten months of 1928 as compared with the corresponding period of the previous year.

The change in the general direction of the movement on the labour market is very evident. Unemployment is at present greater than in the previous year, apart from any seasonal causes. It began to increase in the summer, at a time when seasonal requirements were at their highest, and was first revealed in the rising figures for part-time employment. In the following months part-time work did not increase at the same rate as full-time unemployment, and there was only a slow downward movement in the degree of employment. After exclusion of any seasonal influences, the situation appears to be worse in the industries manufacturing goods for consumption.

THE LABOUR MARKET

	1925		1926		1927		1928					
	Jan.	July	Jan.	July	Jan.	July	Jan.	July	Aug.	Sept.	Oct.	Nov.
Percentage of employed as compared with 1.1.1925.....	100.0	107.4	92.3	98.0	94.1	110.0	103.4	112.4	112.4	112.1	-	-
Applications per 100 posts[1]	314	175	757	578	648	253	443	270	276	276	307	-
Percentage of unemployment among members of trades unions[2]:	8.1	3.7	22.6	17.7	16.5	5.5	11.2	6.3	6.5	6.6	7.3	-
in the industries manufacturing means of production..	.	3.6	28.4	20.5	21.6	5.9	14.3	5.9	6.1	6.2	7.4	-
Mining.....	.	.	.	.	2.8	1.3	2.3	1.3	1.5	1.7	1.8	-
Metal.....	7.7	3.7	18.8	20.6	15.2	6.7	5.5	5.0	5.4	5.7	6.2	-
Chemical....	.	.	.	)				(5.0	5.2	5.7	6.2	-
Paper manufacture...	.	.	.	)14.8	12.5	6.1	7.9	(				
Building....	23.5	5.5	51.3	19.3	42.4	4.1	37.6	(3.0	2.9	2.7	3.8	-
Timber	5.9	3.4	32.3	28.5	22.1	9.7	11.7	6.6	6.8	7.3	10.1	-
Leather manufacture	-	-	-	21.5	11.1	7.7	7.6	10.3	9.5	8.7	9.3	-
								10.9	11.6	10.5	10.6	-

1) In 1913 there were 161 applications per 100 posts.
2) In 1913 unemployment among members of trades unions amounted to 2.9 per cent.

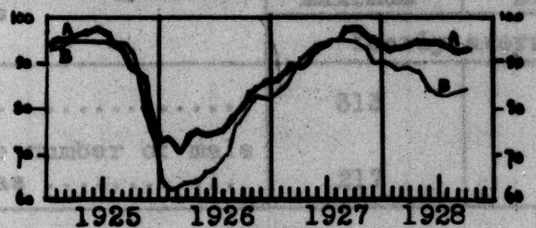
THE LABOUR MARKET (cont.)

	1925		1926		1927		1928					
	Jan.	July	Jan.	July	Jan.	July	Jan.	July	Aug.	Sept.	Oct.	Nov.
in the industries manufacturing goods for consumption:	.	4.4	17.3	18.3	11.7	5.5	7.9	8.8	9.2	9.1	9.0	-
Textiles.....	3.9	2.8	12.3	17.2	7.9	2.6	3.2	7.0	7.9	8.2	7.3	-
Clothing	.	.	.	34.5	25.6	15.2	17.4	19.4	18.6	16.2	16.1	-
Leather - treating ...	.	.	.	30.1	18.0	9.7	11.5	16.3	16.4	15.7	14.2	-
Foodstuffs & luxury foodstuffs	.	8.1	19.2	14.0	10.7	6.9	7.1	6.4	6.5	6.7	6.3	-
of which tobacco industry	.	.	.	.	10.5	7.1	5.7	8.0	8.1	9.3	9.5	-
Printers	0.5	1.2	6.3	10.9	6.8	4.4	(3.8	4.8	5.8	5.6	6.0	-
Bookbinders..	.	.	13.6				(6.8	6.8	7.5	6.7	6.4	-
Ceramic	.	.	.	18.4	17.8	3.9	12.7	6.3	6.7	8.1	10.0	-
Percentage of part-time work among members of trades unions	5.5	5.8	22.6	16.6	6.6	2.6	3.5	6.5	7.1	6.9	6.8	-
in the industries manufacturing means of production..	.	3.1	21.3	15.4	6.5	2.1	2.6	3.5	4.0	4.2	4.6	-
in the industries manufacturing goods for consumption.	.	9.1	33.7	26.5	8.6	4.0	7.1	16.6	17.8	16.9	15.5	-
Unemployed receiving relief including those receiving emergency relief at end of month in 1,000												on 15.11
Total	593	197	2,031	1,652	1,965	633	1,561	847	655	664	764	904
of which: male	552	175	1,773	1,328	1,675	501	1,347	467	480	498	594	714
female	41	22	258	324	290	132	214	180	175	166	170	190
Unemployed receiving relief per 1,000 of resident population at end of month												
a) the German Reich	9.5	3.2	32.6	26.5	29.3	7.2	21.4	9.0	9.2	9.2	10.8	12.9 [1]
b) large towns	14.6	5.8	42.2	44.3	38.5	15.6	21.8	15.1	14.8	14.7	.	.
c) industrial districts..	11.0	4.7	39.9	37.6	33.3	10.3	19.9	11.5	11.7	11.6	13.1	15.4
d) agricultural districts..	8.6	2.1	23.4	10.8	24.5	4.2	25.2	5.4	5.2	5.0	6.6	8.6

1) On December 1, 1928 = 16.5.

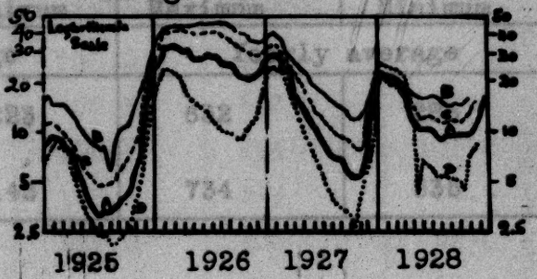
PERCENTAGE OF WHOLE-TIME WORKERS AMONG MEMBERS OF TRADES UNIONS

A = Industries manufacturing means of production
B = Industries manufacturing goods for consumption



NUMBER OF HEADS OF HOUSEHOLDS IN RECEIPT OF RELIEF PER 1,000 OF THE RESIDENT POPULATION

A = in the German Reich
B = in large towns
C = in industrial districts
D = in agricultural districts



THE LABOUR MARKET ACCORDING TO THE REPORTS OF THE PROVINCIAL LABOUR OFFICES

July to October	The seasonal relief of the labour market only lasts until the middle of August. In the following weeks, that is to say comparatively early, and with a still large unemployment figure, the number of unemployed again begins to increase slowly. Falling employment as a result of trade slackening is only partially delayed by branches of industry subject to seasonal revival.
November:	
1st week	Increased reduction of work in the outdoor industries. Beginning of the labour dispute in the iron and steel industry of North-West Germany (220,000 workers).
2nd week	The downward movement continues. The labour dispute in the Ruhr accelerates the movement. The number of heads of households in receipt of relief as at October 31 is already about double the figure on the corresponding day of the preceding year.
3rd week	The downward movement of employment makes quick strides.
4th week	Unemployment increases. The effects of the wage dispute still weigh upon the Rhenish-Westphalian labour market.
December:	
1st week	Further dismissals in the outdoor trades. Steady falling off in trade. Stagnation in the output of the iron industry increases the downward tendency.
2nd week	Owing to seasonal influences the number of unemployed is rising swiftly. End of the labour dispute in the iron industry of North-West Germany.
3rd week	Owing to frosty weather, outdoor work is for the greater part discontinued. In some districts the Christmas trade slightly lowered the rate of the downward tendency.

Appreciably bigger fluctuations are to be noted on the labour market during recent years than was the case before the war.

Applications per 100 posts	1907 - 1913		1925 - 1928	
	Maximum	Minimum	Maximum	Minimum
	Yearly average		Yearly average	
Total	313	223	632	283
of which the number of male workers was	217	143	734	335

Output shows a further increase in the industrial groups for which statistics are available. Under the pressure of high interest rates, which demand increased turnover, labour has been better utilised and speeded up. The fall in the degree of employment has not led to a fall in the output per head. The German economy is animated by a strong desire to find in increased work and, if necessary, sacrifices an offset to the payments to foreign countries and the loss of former income from abroad. The actual increase in output is however still much inferior to that required as a result of the changed balance of international indebtedness, remarkable as have been the successes of recent years.

DEVELOPMENT OF OUTPUT IN THE RUHR COAL MINING INDUSTRY

DATE	Output per shift				Total number of men employed	
	per head of the underground workers		per head of the total no. of men employed		Absolute total in 1,000	in % of 1913
	in kg.	in % of 1913	in kg.	in % of 1913		
1913	1,161	100.0	943	100.0	426	100.0
1924	1,079	92.9	857	90.9	463	109.6
1925	1,179	101.6	946	100.3	434	101.6
1926	1,374	118.4	1,114	118.1	384	90.4
1927	1,386	119.3	1,132	120.0	408	95.8
1928 [1]	1,453	125.1	1,183	125.5	385	90.4
1928						
January	1,423	122.6	1,166	123.7	398	93.4
February ...	1,438	123.9	1,177	124.8	397	93.2
March	1,445	124.5	1,183	125.5	396	93.0
April	1,441	124.1	1,172	124.3	396	93.0
May	1,455	125.3	1,178	124.9	387	90.8
June	1,460	125.7	1,183	125.5	384	90.1
July	1,458	125.6	1,185	125.7	377	88.5
August	1,475	127.0	1,200	127.2	374	87.8
September ..	1,480	127.5	1,202	127.5	371	87.1
October	.	.	.	.	370	86.9

1) Average of 9 months.

DEVELOPMENT OF OUTPUT OF THE GERMAN RAILWAY COMPANY

DATE	Axle kilometres worked per head of the staff employed. Monthly average	
	in km.	in % of 1925
1925	2,853.8	100.0
1926	3,129.3	109.6
1927	3,388.2	118.7
1928 [1]	3,563.3	124.9

1) Provisional figures.

Certain statistics of production have been published by other branches of industry, but for 1927 only. They all reveal a rise in output which is indicative of the improvements effected in operation as compared with the pre-war period, in so far as comparative figures are available for that period.

The following figures are taken from the statements:

DEVELOPMENT OF OUTPUT IN OTHER BRANCHES OF INDUSTRY

Branch of industry	Output per head in 1927	
	percentages of 1925	percentages of 1913
Automobile industry..	172	260
Pig iron	143	-
Steel	142	-
Machinery	140	-
Coke	137	119
Potash	130	172
Arsenic and copper ore mines	126	140
Cement	124	144
Lead, silver and zinc	118	113
Iron ore mines	112	126

Satisfactory as these increases may be, they are in many cases inferior to the increases in other industrial countries. For purposes of comparison we include a statement showing the increases obtained in Great Britain as far back as 1924. Further progress has probably been made since that date. The information given is taken from the reports recently published by the Committee on Industry and Trade, which observes in connection therewith that the increase from 1907 occurs almost entirely during the period 1912-1924, as during the period 1907-1912 the increased output calculated in pounds sterling was about 8 per cent and that of the price level about 9 per cent. The following table shows the

movement in the industrial groups as a whole; within the individual groups there have been appreciable fluctuations.

DEVELOPMENT OF OUTPUT IN GREAT BRITAIN

Industrial groups according to the 1924 census	1924 value of production per head in % of 1907.	Prices in percentages of 1907
Mines and quarries	141	183
Stones and earths ..	250	
Chemical industry ..	230	
Metals and machinery	188	
Textiles	228	
Skins and hides, leather	243	
Clothing	244	
Foodstuffs and beverages	204	
Wood finishing	217	
Paper products, printing	260	
Other industries treating products	238	
Average	215	

The development of output in the British mining industry since 1924 may also be calculated quantitatively per head from the weekly reports issued by the Board of Trade.

DEVELOPMENT OF OUTPUT IN THE BRITISH COAL MINING INDUSTRY

Yearly average	Output per head of total no. of men employed	
	in tons	in percentages of 1913
1913	260	100.0
1924	220	84.6
1925	221	85.0
1928[1]	257	98.8

1) Estimated on the results of 11 months.

The number of labour disputes has increased during the current year and has resulted in the loss of a larger number of working hours. The renewal of wage contracts has generally been accompanied by wage increases.

HOURLY WAGE OF SKILLED WORKERS [1]

DATE	Weighted average of 12 categories	Metal	Timber	Chemical	Building	Textile	Cost of living
		Industries					
	Percentages of 1913						
1925	130.8	128.0	142.0	140.9	146.2	134.4	139.6
1926	140.7	138.3	155.2	149.5	160.7	143.2	141.1
1927							
1st Quarter	142.0	137.9	156.0	151.7	160.4	151.4	145.0
2nd "	148.7	145.2	164.3	161.9	168.8	152.6	146.9
3rd "	150.2	146.3	167.0	161.9	169.8	152.8	147.9
4th "	151.9	147.6	171.6	161.9	172.1	163.1	150.7
1928							
1st Quarter	153.7	149.8	174.8	161.9	172.4	168.2	150.7
2nd "	159.4	153.2	180.3	175.1	177.7	170.6	150.9
3rd "	161.4	151.8	182.4	178.6	180.8	171.6	152.8
October 1st (key date)...	163.1	148.6	189.8	181.4	187.2	171.6	152.1

1) From calculations of the Statistical Office of the Reich.

The figures of the wage index have increased more than the figures for the cost of living. They have also risen higher than the price indices of the various commodity groups. The pre-war real wage would therefore appear according to these figures to have been exceeded by about 7 per cent during the autumn of this year.

DEVELOPMENT OF PRICES

DATE	Commodities affected by trade conditions	General index figure	Agricultural products	Industrial raw materials and half-finished goods	Industrial finished goods	
					Means of production	Articles of consumption
	Monthly averages (1913 = 100)					
1924	144.5	137.3	119.6	142.0	128.5	177.1
1925	143.8	141.8	133.0	141.0	135.9	172.4
1926	117.1	134.4	129.3	129.7	132.5	162.2
1927	128.4	137.6	137.8	131.9	130.2	160.2
1927						
1st Quarter .	122.2	135.5	138.5	129.5	129.1	151.3
2nd "	128.0	136.6	138.1	130.9	129.4	155.8
3rd "	129.1	138.4	137.7	133.1	130.3	162.6
4th "	134.3	139.8	136.9	134.0	132.2	171.1
1927 October	132.1	139.8	137.7	134.0	130.9	169.4
November	134.7	140.1	137.3	134.0	132.0	171.7
1928						
1st Quarter	139.6	138.4	131.2	133.8	135.2	172.9
2nd "	135.8	140.7	135.1	134.7	136.5	174.9
3rd "	133.7	141.0	136.1	134.3	137.9	175.8
1928 October	129.5	140.1	134.8	133.4	138.6	176.1
November	128.0	140.3	135.2	133.5	138.5	176.1

The movement of prices displays the variations which are typical of the beginning of a downward tendency in business activity. The prices for industrial articles of consumption and means of production continue to rise slowly until well into the fourth quarter, the rise being greater in the current year in the case of the latter than in the case of the former. The prices for industrial raw materials and half finished goods have not changed to any appreciable extent during the year under consideration. On the other hand the prices for a number of commodities affected by trade conditions have sunk almost steadily since the second quarter of the year. The prices for agricultural products

which are more dependent on harvest results than on trade conditions changed very little during the year. High prices for means of production at a time of trade uncertainty and depression act as a brake on the investment of capital in equipment: high prices for articles of consumption at such a time affect the accumulation of stocks. These effects have only been held up by the urgent need for capital investment in the case for example of the building of dwelling houses and of much of the industrial rationalisation. The large capital imports from abroad have supplied a great part of the funds with which urgent capital expenditure requirements have been met, and they have helped to maintain prices in Germany. With the slackening of capital imports there should be a further lowering of prices and reduction of stocks.

C O N S U M P T I O N

In so far as we have been able to observe, consumption has risen slightly during the year, the rise taking place at the beginning of the year, when trade was active, and the level then reached being maintained throughout the year. It would appear however that towards the end of the year, when seasonal influences began to take effect, there was a falling off in consumption. Stable consumption with an increasing population - especially when the number of persons of medium age is increasing - is tantamount to a falling off.

The consumption of meat which, if the changed age composition of the population is taken into account, is a good symptom of the general development of consumption, rose during the first six months above the pre-war level, but did not maintain the increase in the third quarter.

CONSUMPTION OF MEAT

Per head of the total population in kg.	1913	1926	1927	1928
1st Quarter.....	12.82	12.31	12.80	14.27
2nd "	12.52	10.90	12.33	12.90
3rd "	12.86	11.50	12.76	12.81
4th "	13.80	13.36	15.53	.
Annual consumption	52.00	48.07	53.42	.
Per head of total population in % of 1913				
1st Quarter	100.00	96.02	99.85	111.31
2nd "	100.00	87.06	98.48	103.03
3rd "	100.00	89.43	99.22	99.61
4th "	100.00	96.81	112.53	.
Annual consumption	100.00	92.44	102.73	approx. 1) 104.00
Per head of meat consuming population in % of 1913				
Annual consumption	100.00	84.60	94.00	approx. 1) 95.00

1) Estimated on the basis of the results for the first three quarters.

The figures of the turnover of the co-operative societies would appear to indicate a somewhat bigger rise. A comparison between the individual years is certainly difficult owing to the fact that the number of commodities included in the sales of the societies has increased, whilst prices have risen and the turnover per head of the members has also increased without there being any increase in consumption. Only a portion of the increase can be regarded as indicating a general increase in consumption.

TURNOVER OF CO-OPERATIVE SOCIETIES

Average turnover per head of the members	1927	1928	1927	1928	Index of cost of food	
	in RM		percentage of 1913		1927	1928
1st Quarter	6.08	7.76	108.6	138.6	151.4	151.4
2nd "	6.50	8.07	116.1	144.1	151.3	151.3
3rd "	6.74	8.12	120.4	145.0	152.6	154.6
4th "	8.46		151.1		152.1	

The figures for turnover published by the big stores (as shown in the following table) also indicate an increase. Here also the increase in consumption is slightly in excess of the increase in prices for industrial articles of consumption. Changes in the turnover of the several retail trade groups, which may have favourably affected the big stores, are not taken into account.

TURNOVER OF THE BIG STORES

Period 1928	Total turnover	Foodstuffs & luxury foodstuffs	Clothing	Women's ready made clothing	Men's ready made clothing	Household effects & furniture	Index of prices for articles of consumption 1928
	in percentages of the corresponding pre-war period						
1st Quarter	115.8	136.8	113.9	110.5	117.9	114.2	114.3
2nd "	113.6	137.8	112.6	107.1	94.5	112.4	112.3
3rd "	112.0	122.1	108.7	106.6	97.9	112.4	108.1

There has been a slight increase in consumption as a result of the rise in building activity, which has made it possible to satisfy some of the requirements outstanding from previous years in addition to the increased demand of the present year. The number of dwellings has risen by about 1¾ per cent in the past two years, the number of the population by about 1.3 per cent during the same period and the number of households by 1.4 per cent each year. As however there are still roughly half a million more households without homes

than before the war, consumption calculated per household is still about 3 per cent below pre-war level.

The estimates for consumption of beer, alcohol and sugar show insignificant increases. The consumption of alcoholic drinks is inferior to that of pre-war days whereas the consumption of sugar stands higher.

CONSUMPTION OF ALCOHOL AND SUGAR

DATE	Beer	Alcohol for drinking purposes	Sugar
	per head (1913 = 100)		
1913	100.0	100.0	100.0
1925	73.8	35.4	106.4
1926	74.5	37.5	108.0
1927	79.1	48.2	114.3
1928	about 82.0	.	about 122.2

The following calculations of consumption which were published recently show that the consumption of goods for mass requirements is still inferior to the pre-war amount. The tables do not include the current year, but no appreciable change is likely to have taken place.

CONSUMPTION OF GOODS FOR MASS REQUIREMENTS

DATE	Cotton	Spices	Herrings	Coffee
	including stocks			
	per head of population (1913 = 100)			
1913	100.0	100.0	100.0	100.0
1925	81.6	81.2	94.6	58.2
1926	64.7	87.5	79.7	68.0
1927	98.8	87.5	82.9	79.9
1928	85.0 (approx.)			

Imports of luxury goods continued to rise in the first three quarters. The increase was appreciably less in volume than in the preceding year.

IMPORTS OF LUXURY GOODS
(in millions of RM)

DATE	Monthly average		
	1926	1927	1928
January - October	31.7	48.1	52.6

The increase in the income of the great mass of the population in itself favoured a rise in consumption. In so far as the index calculations allow of conclusions, weekly wages have risen to a greater extent than the cost of living.

WEEKLY WAGE OF WORKERS [1]

DATE	Weekly wage with regular working hours								Cost of living
	Skilled workers				Unskilled workers				
	1925	1926	1927	1928	1925	1926	1927	1928	1928
	(Weighted average % of 1913)								1913/14 = 100
1st Quarter	111.6	130.4	132.0	141.5	124.6	144.7	146.9	159.4	150.7
2nd "	119.4	130.3	138.0	146.8	132.3	144.7	154.7	165.7	150.9
3rd "	125.8	130.5	139.1	148.7	139.3	145.1	155.7	169.4	152.8
4th "	129.4	131.3	139.8		143.3	146.2	156.9		

1) As calculated by the Statistical Office of the Reich.

The increase in the workers' incomes would appear however to have been used only to some extent to increase consumption. The desire to make the future more secure is at the present time very great. The masses of the population are endeavouring to build up reserves against unemployment and incapacity to work. The proportion to the whole population of that section which may be described as middle-class is increasing.

FOREIGN TRADE

The movement of foreign trade is a mirror of economic development throughout the year. Imports both as a whole and in respect of the individual groups such as foodstuffs, raw materials, half-finished and finished goods, have shown

a downward tendency since the second quarter, but are not likely on the whole year to fall short of the volume of the previous year. Exports, especially finished goods, have risen. Home requirements and the formation of stocks are down, but the increase in foreign sales has hindered the effect on the total volume of production.

IMPORTS

DATE	Imports (not including gold & silver)			Excess of imports over exports	
	Total		Per capita	Not including deliveries in kind	Including deliveries in kind
	Official figures	Revised figures based on data of Statistical Office of the Reich		Revised figures based on data of Statistical Office of the Reich	
	in millions of RM		in RM	in millions of RM	
1913 Monthly average ...	934	-	13.90	- 84	-
1924 " " ...	761	723	11.62	- 172	- 140
1925 " " ...	1,030	979	15.74	- 235	- 192
1926 " " ...	833	808	12.80	+ 19	+ 71
1927 " " ...	1,179	1,143	18.07	- 279	- 220
1928 January ...	1,360	1,319	20.75	- 444	- 391
February ..	1,250	1,213	19.08	- 257	- 206
March	1,230	1,193	18.75	- 156	- 101
April	1,175	1,140	17.91	- 202	- 131
May	1,086	1,053	16.53	- 145	- 94
June	1,108	1,075	16.86	- 167	- 118
July	1,183	1,148	18.00	- 220	- 168
August	1,083	1,051	16.98	- 10	+ 71
September .	1,087	1,054	16.51	+ 21	- 128
October ...	1) 1,213	1,177	18.43	- 213	+ 139
November...	1) 1,173	1,138	17.81	- 184	- 125

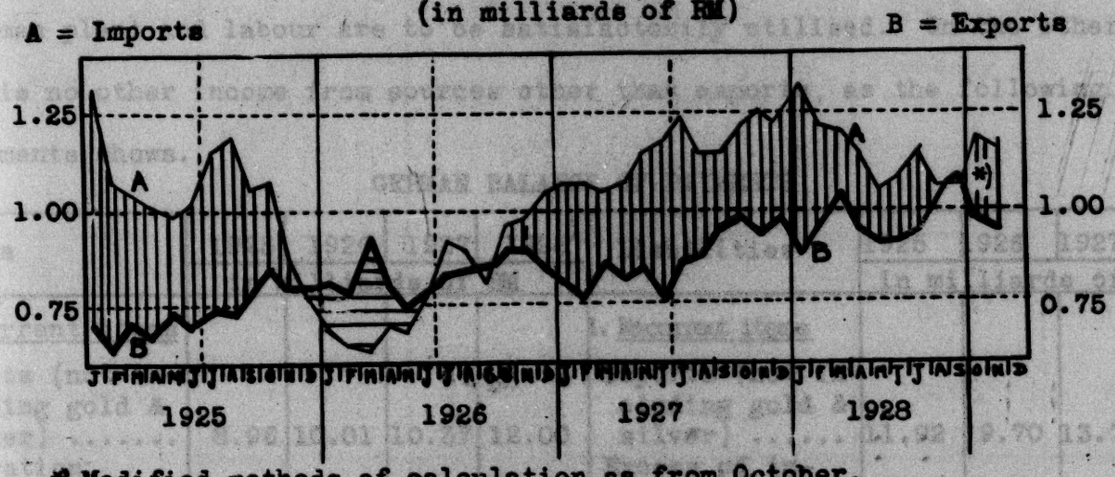
1) The results for October and November cannot be compared with the previous months owing to changes in the methods of collection of the statistical material.

EXPORTS

DATE	Free exports (not including gold and silver)				Deliveries in kind on Reparation account (present values)
	Official figures		Revised figures based on data of Statistical Office of the Reich		
	Total	of which the following were manufactured goods	Total	Per capita	
	in millions of RM (or in 1913 M)			in RM (or in 1913 M)	in millions of RM
1913 Monthly average..	850	562	-	12.65	-
1924 " " ..	544	432	551	8.86	31.6
1925 " " ..	733	552	744	11.91	43.1
1926 " " ..	815	580	827	13.24	52.0
1927 " " ..	852	629	864	13.65	58.9
1928 January .	862	632	875	13.77	52.9
February	942	690	956	15.04	51.1
March ...	1,022	761	1,037	16.30	54.8
April ...	924	682	938	14.74	70.7
May	895	676	908	14.26	51.1
June	895	685	908	14.26	49.0
July	914	689	928	14.55	52.4
August ..	1,026	769	1,041	16.32	81.3
September	1,059	801	1,075	16.84	107.0
October .	1) 950	703	964	15.09	73.8
November	1) 940	692	954	14.93	59.4

1) The results for October and November cannot be compared with the previous months owing to changes in the methods of collection of the statistical material.

FOREIGN TRADE
(in milliards of RM)



*) Modified methods of calculation as from October.

The movement of foreign trade is not alone a reflection of the changing power of absorption of the inland market. The falling off in imports of foodstuffs is connected with the improved harvest, while the increase in exports of industrial products is partly the result of rationalisation, increased output, improved quality, improved organisation of foreign sales and the improved reputation of German goods, and partly the result of greater power of absorption of the world market. Increased exports have hitherto been possible without a reduction of prices, except that there is a rise in the export prices of finished goods of about 1 per cent. The capital imports have so far made it possible to develop exports to keep pace with the power of absorption of the world market.

The trade balance again closes with an appreciable deficit. As the high rate of interest and the extensive financing of capital expenditure out of foreign imported capital greatly hinder speculative expansion and the assembling of stocks, and as there has not been any appreciable increase in consumption, there must be a very large and urgent permanent demand for capital expenditure. Individual entrepreneurs and public bodies find it very difficult to do without such capital expenditure. Germany's machinery of production, alike in its development and range, is dependent on such requirements being satisfied. The

international distribution of labour necessitates the production of foreign goods, the value of which is far in excess of the value of the exports hitherto effected, if German plant and labour are to be satisfactorily utilised. On the other hand there is no other income from sources other than exports, as the following balance of payments shows.

GERMAN BALANCE OF PAYMENTS

Assets	1925	1926	1927	1928[1]	Liabilities	1925	1926	1927	1928[1]
	in milliards of RM					in milliards of RM			
1. Recurrent items					1. Recurrent items				
Exports (not including gold & silver)	8.96	10.01	10.37	12.00	Imports (not including gold & silver)	11.92	9.70	13.72	14.00
Reparation deliveries:					Excess of imports over exports of gold & silver, other than the imports & exports for currency purposes	-	-	0.19	0.10
a) abroad	0.52	0.63	0.58	0.80					
b) in Germany	0.16	0.09	0.08	0.08					
Increase in cash holdings of the Agent General..	-	-	0.10	0.04					
Surplus from services rendered	0.16	0.22	0.26	0.35	Reparation payments	1.06	1.19	1.58	2.08
2. Non-recurrent items					Balance of interest	0.09	0.20	0.43	0.70
Falling off in the visible foreign exchange holdings of the Reichsbank	-	-	0.23	0.11	Adverse balance of emigrants' & immigrants' capital transactions	0.09	0.08	0.07	0.07
Falling off in the invisible foreign exchange holdings of the Reichsbank	0.26	0.17	0.25	-	2. Non-recurrent items				
Return of hoarded notes	0.20	-	-	-	Excess of imports over exports of gold for currency cover	0.43	0.62	0.03	0.84
Influx of funds released by America	-	-	-	0.05	Increase in the visible foreign exchange holdings of the Reichsbank ...	0.14	0.11	-	-
Imports of capital:					Exports of capital				
a) loans	1.32	1.77	1.66	1.56	(balance)	-	0.99	-	-
b) Other imports of capital (balance) ..	2.15	-	2.49	2.80					
	13.73	12.89	16.02	17¾		13.73	12.89	16.02	17¾

1) Estimate.

MOVEMENT OF CAPITAL

DATE	Balance of capital imported	Obtained from		Used for	
		Loans	Securities, immovable property, bills, credit balances and other short-term credits and registered stock	Currency cover	Other purposes
1925	3.93	1.32	2.61	0.57	3.36
1926	0.95	1.77	- 0.82 (re-exported)	0.73	0.22
1927	4.63	1.66	2.97	0.03	4.60
1928	4.52	1.56	2.96	0.84	3.68
Together ...	14.03	6.31	7.72	2.17	11.86

For a better appreciation of the German balance of payments we compare the balance of payments of the more important industrial countries.

THE BALANCE OF PAYMENTS OF THE UNITED STATES

(According to the "Balance of International Payments of the U.S.A.1927")

Assets	1926 revised	1927	1928 [1]	Liabilities	1926 revised	1927	1928 [1]
	in millions of $				in millions of $		
1. Recurrent items				1. Recurrent items			
Surplus of exports over imports of goods	244	527	approx. 750	Excess of imports over exports of gold and silver	50	-	
Surplus of exports over imports of gold and silver	-	187	approx. 450	Remittances by immigrants and for philanthropic purposes	264	249	
Balance of ocean freights	8	57		Tourist traffic (balance)	567	617	
Proceeds from films loaned	71	71		Government expenditure	43	29	
Interest on foreign investments	627	674					
Repayment of loans	373	355					
Capital payments to the Government of the U.S.A.	35	46	approx. 70				
	1,358	1,917			924	895	
				Balance of recurrent items	434	1,022	
2. Non-recurrent items				2. Non-recurrent items			
Sale of American securities	298	503		Additional foreign investments (bonds)	1,002	1,230	approx. 1,000 [2]
Short-term foreign investments	359	-		Other foreign investments	273	299	
				Readjustments	2	2	
	657	503			1,277	1,531	
Balance of non-recurrent items	620	1,028			-	-	
Unexplained balances	186	6			-	-	
Total	2,201	2,426		Total	2,201	2,426	

1) Estimate.

2) For the first 9 months $978 millions.

THE FRENCH BALANCE OF PAYMENTS

(According to publications of the "Revue d'économie politique")

Assets	1926	1927	1928[1]	Liabilities	1926	1927	1928[1]
	in millions of francs				in millions of francs		
1. Recurrent items				1. Recurrent items			
Surplus of exports over imports of goods	-	696		Excess of imports over exports of goods	2,548	-	
Surplus of exports over imports of precious metals ...	-	586		Excess of imports over exports from the French Colonies	1,000	1,000	1,700 approx.
Tourist traffic	13,000	6,000					
Freight receipts ...	3,750	3,350		Excess of imports over exports of precious metals .	45	-	
Marine insurances...	500	450					
Interest on French foreign loans	2,800	3,000		Remittances of foreign wage-earners	3,300	2,500	
Reparation payments.	3,800	4,200	6,000 approx.	Interest on foreign investments in France..	2,562	2,250	
				Annuity in respect of inter-allied debts	2,380	1,998	1,660 approx.
	23,850	18,282			11,835	7,748	
	-	-		Balance of recurrent items ...	12,015	10,534	
2. Non-recurrent items				2. Non-recurrent items			
Sale of the Morgan Fund	1,800	-		Redemption of British gold deposits		4,092	
Re-acquired gold deposits	-	2,232		Foreign capital issues in France	200	500	
French loans abroad	1,720	1,182					
	3,520	3,414			200	4,592	
Adverse balance of non-recurrent items		1,178		Balance of non-recurrent items	3,320	-	
	-	-		Balance of the entire Balance of Payments	15,335	9,356	
Total	27,370	21,696		Total	27,370	21,696	

1) Estimate

THE ITALIAN BALANCE OF PAYMENTS

	1926[1]	1927	1928[3]		1926[1]	1927	1928[3]
	in millions of gold lire				in millions of gold lire		
Imports of goods ..	5,171	5,391	5,670 approx.	Exports of goods	4,229[2]	4,132	3,850 approx.
Capital transactions and interest (balance)	398	.		Emigrants' remittances..	580	500	
				Tourist traffic	560	500	
				Freight and other charges	200	200	
				Capital transactions and interest (balance)	.	59	
	5,569	5,391			5,569	5,391	

1) From statements of Count Volpi. 2) Amended. 3) Estimated.

THE BRITISH BALANCE OF PAYMENTS
(According to the publications of the Board of Trade and Keynes' rectifications; see "Wirtschaftsdienst" 1926 No.42)

Assets	1926	1927	1928[1]	Liabilities	1926	1927	1928[1]
	in millions of £				in millions of £		
1.Recurrent items				1.Recurrent items			
Receipts from shipping (surplus)	120	140	160	Excess of imports over exports of goods, gold and silver	477	392	350
Receipts from foreign investments (surplus)	270	270	280				
Previous under-estimation of latter receipts (according to Keynes)	60	60	60				
Receipts from short-term investments and banking transactions (surplus) ..	60	63	70				
Receipts from other services (surplus)	15	15	15				
	525	548	585		477	392	350
	-	-	-	Balance of recurrent items	48	156	235
2.Non-recurrent items				2.Non-recurrent items			
Transactions in stock exchange securities				Loans to foreign countries	122	153	143 (11 months)
Increase in foreign deposits							

1) Estimate

Whereas the other more important industrial countries benefit by a relatively regular inflow of income in the form of interest, and in addition often draw large sums in return for international services rendered - as Germany herself was able to do before the war - she is to-day the only land with no such surpluses of income, but on the contrary has a permanent balance of outgoings over incomings, and all that the German economy has done up to the present to cope with this disadvantage is to import capital.

The assistance in the shape of capital received from abroad came for the greater part from the United States.

FOREIGN LOANS

Nominal amounts[1]	1924	1925		1926		1927		1928	
	in millions of RM								
1st Quarter	-	231		393		91		362	
2nd "	-	1		521[2]		180		742	
3rd "	-	432		407		676		126	
4th "	864	656		449		712		343	
October ..			50		90		551		65
November..			270		182		87		201
December..			336		177		74		77[3]
Total of loans ..	864	1,320		1,770		1,659		1,573	

1) In the case of the Dawes Loan, the amount actually received by the borrower is taken.
2) Including RM 50 millions of preference shares of the German Railway Company.
3) Provisional figure.

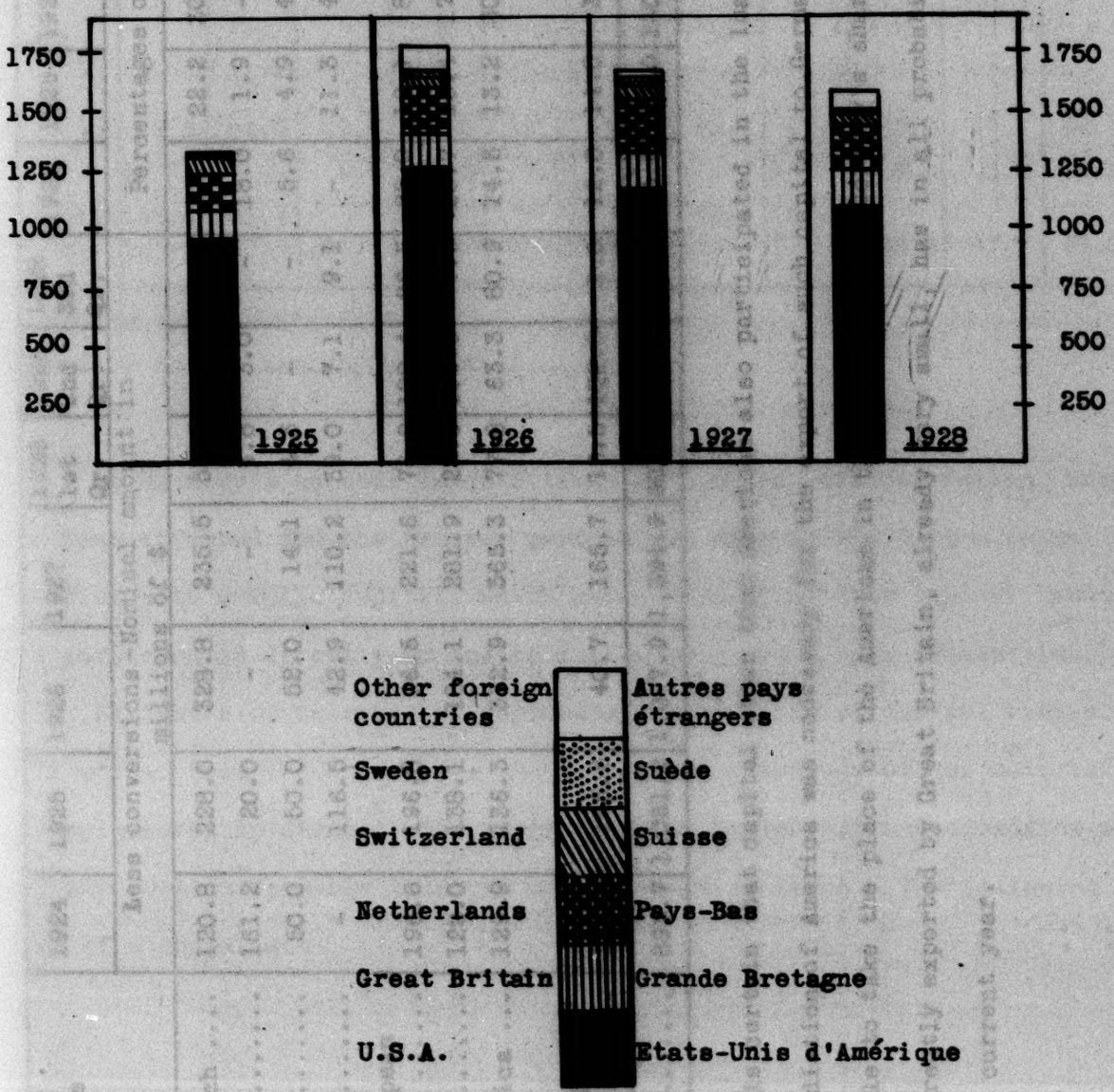
ORIGIN OF FOREIGN LOANS

COUNTRY	1925	1926	1927	1928	1925	1926	1927	1928
	in millions of RM				percentage			
U.S.A.	951	1,259	1,158	1,086	72.1	71.1	69.8	69.0
Great Britain.	122	141	149	157	9.2	8.0	9.0	10.0
Netherlands...	153	186	231	193	11.6	10.5	13.9	12.3
Switzerland ..	69	42	46	47	5.2	2.4	2.8	3.0
Sweden	25	36	43	9	1.9	2.0	2.6	0.6
Other foreign countries ...	-	106	32	81	-	6.0	1.9	5.1
Total	1,320	1,770	1,659	1,573	100.0	100.0	100.0	100.0

The amount of loan issues fell very considerably during the latter half of the year as a result of the changed position of the American investments market.

ORIGIN OF FOREIGN LOANS
(in millions of RM)

ORIGINE DES CAPITAUX ETRANGERS
(en millions de reichsmarks)



DISTRIBUTION OF AMERICAN EXTERNAL LOANS

Borrowers	1924	1925	1926	1927	1928 1st Qr.	1928 2nd Qr.	1928 3rd Qr.	1924	1925	1926	1927	1928 1st Qr.	1928 2nd Qr.	1928 3rd Qr.
	Less conversions-Nominal amount in millions of $							Percentages of the total sum						
German Reich	120.8	228.0	328.8	235.5	53.5	148.4	14.2	13.4	22.2	30.5	16.9	17.7	27.6	10.2
France	161.2	20.0	-	-	4.8	3.0	-	18.0	1.9	-	-	1.6	0.6	-
Belgium	50.0	50.0	52.0	14.1	4.3	-	-	5.6	4.9	4.8	1.0	1.4	-	-
Italy	-	116.5	42.9	110.2	39.0	7.1	9.1	-	11.3	4.0	7.9	12.9	1.3	6.5
Other European countries	196.6	196.8	96.5	221.6	76.9	108.4	26.5	22.0	19.1	8.9	15.9	25.5	20.2	19.0
Canada	122.0	138.1	184.1	281.9	29.8	105.3	7.5	13.7	13.4	17.1	20.2	9.9	19.6	5.4
Latin America ...	129.9	136.3	332.9	365.3	77.8	63.3	80.9	14.5	13.2	30.9	26.2	25.8	11.7	58.1
Far East (including colonies)	113.2	145.5	40.7	165.7	15.5	102.3	1.0	12.8	14.0	3.8	11.9	5.2	19.0	0.8
Total	893.7	1,031.2	1,077.9	1,394.3	301.6	537.8	139.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0

It is certain that capital other than American also participated in the loans on the American market, but the mediation of America was necessary for the export of such capital to Germany. The British market was not able to take the place of the American in this connection. Germany's share in the amount of capital directly exported by Great Britain, already very small, has in all probability fallen still further during the current year.

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DISTRIBUTION OF BRITISH EXTERNAL LOANS [1]

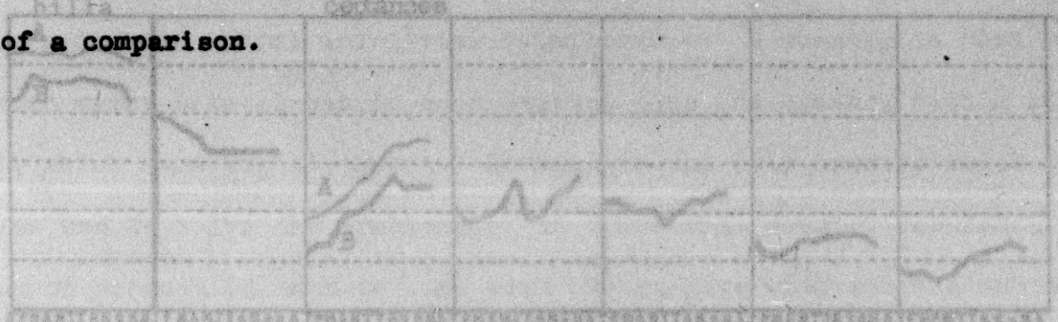
Borrowers	1913	1924	1925	1926	1927	1928 Jan. to Nov.	1913	1924	1925	1926	1927	1928 Jan. to Nov.
	Less conversions Price of issue in millions of £						Percentages of the total sum					
Total of external loans.....	197.6	135.4	99.5	122.0	153.0	143.0	100.0	100.0	100.0	100.0	100.0	100,0
of which there went to:												
British Possessions	99.6	64.0	69.2	57.5	98.2	74.4	50.4	47.3	69.6	47.1	64.1	52.1
Germany			6.0 [2]	6.3 [2]	7.3	6.8 [2]			6.0	5.2	4.8	4.8
Other foreign countries..	98.0	71.4	24.3	58.2	47.5	61.8	49.6	52.7	24.4	47.7	31.1	43.1

1) According to "The Statist".

2) According to our own calculations.

As Germany's capital imports taken as a whole have not fallen, they must have been effected for the greater part in the form of short-term loans. Those countries with surplus capital, which have stood aside from capital issues, must have participated directly or indirectly in such short-term transactions.

Estimates of balances of payment and statistics of capital issues, which still suffer from the inadequate and incomplete character of the material, may be supplemented by study of the interest rates in the various countries and the gold and foreign exchange holdings of the banks of issue. The following tables allow of a comparison.

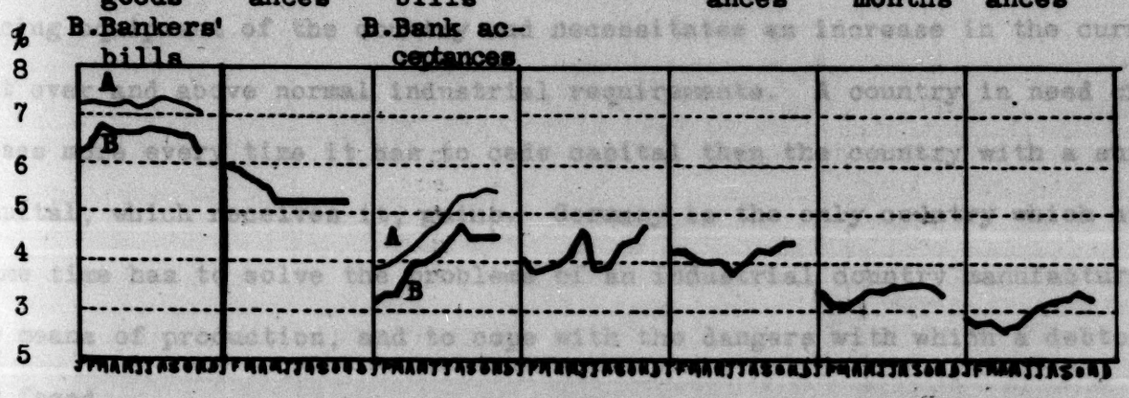


COMPARATIVE TABLE OF INTERNATIONAL INTEREST RATES

	Berlin		Milan	New York		Amsterdam	London	Zurich	Paris
	Bank acceptances	Bills against goods accepted by banks	Bank acceptances	Bank acceptances	Commercial bills	Carry-over money	Bank acceptances	Money at 3 months	Bank acceptances
Jan. 1927	4.09	4.66	9.25	3.72	4.25	2.93	4.16	3.15	4.99
Dec. 1927	6.77	7.60	6.00	3.31	3.87	4.83	4.31	3.42	2.95
Jan. 1928	6.20	7.19	6.00	3.42	3.87	4.06	4.18	3.37	2.81
Feb. 1928	6.33	7.21	5.89	3.58	3.93	3.81	4.17	3.14	2.75
March 1928	6.77	7.22	5.75	3.58	4.01	3.88	4.10	3.17	2.72
April 1928	6.67	7.20	5.49	3.89	4.27	3.91	4.00	3.26	2.62
May 1928	6.64	7.21	5.25	3.98	4.52	4.17	3.98	3.35	2.62
June 1928	6.65	7.16	5.25	4.11	4.70	4.70	3.81	3.41	2.90
July 1928	6.71	7.28	5.25	4.41	5.04	3.85	3.97	3.51	3.12
Aug. 1928	6.68	7.31	5.25	4.69	5.37	3.89	4.26	3.51	3.23
Sept. 1928	6.61	7.28	5.25	4.57	5.37	4.35	4.22	3.50	3.26
Oct. 1928	6.50	7.17	5.25	4.56	5.44	4.41	4.33	3.46	3.37
Nov. 1928	6.25	7.11	5.25	4.56	5.42	4.74	4.37	3.38	3.37
Dec.[1] 1928	6.48	7.30	.	4.61	5.37	4.63	4.36	3.40	.

1) Provisional figures.

COMPARISON OF INTERNATIONAL INTEREST RATES



THE GOLD AND FOREIGN EXCHANGE HOLDINGS OF THE LEADING BANKS OF ISSUE AT THE BEGINNING OF DECEMBER 1928

Country	In millions of RM		In RM per head of the population		
	Gold	Foreign exchange	Gold	Foreign exchange	Gold & foreign exchange
France	5,189	5,619	125.07	130.80	255.87
Switzerland ...	418	211	105.88	53.42	159.30
Holland	734	364	95.76	47.49	143.25
Belgium	492	257	65.62	34.28	99.90
U.S.A.	10,996	2	91.64	0.02	91.66
Great Britain .	3,238	.	72.86	.	72.86
Italy [1]	1,522	1,353	37.29	33.15	70.44
Germany	2,650	180	41.58	2.82	44.40

1) End of October.

All these symptoms illustrate the difficulties with which Germany, in contrast to other industrial countries, has to contend.

THE LACK OF ELASTICITY IN GERMANY'S ECONOMIC LIFE

The loss to Germany of a relatively regular flow of income from abroad, the increased proportion of her total production absorbed by the home demand for investment in plant, and the dependence at the same time upon foreign capital imports have made the German economy less elastic than it was before the war. The greater abruptness of the fluctuation curves is shown by a number of examples. The lack of elasticity increases the difficulty of satisfactorily utilising the producing equipment of the country and necessitates an increase in the current output over and above normal industrial requirements. A country in need of capital loses more every time it has to cede capital than the country with a surplus of capital, which receives it, gains. Germany is the only country which at the same time has to solve the problems of an industrial country manufacturing mainly means of production, and to cope with the dangers with which a debtor State is faced.

THE DEVELOPMENT OF PRODUCTIVE RESOURCES IN THE LEADING INDUSTRIAL COUNTRIES.

Germany's complete dependence upon production compels her to do her utmost to develop her productive resources. The efforts of the past few years have not been without success. She has however by no means reached the position which she must have for the fulfilment of her obligations, and is far behind the other industrial countries in development. The following tables show a number of important features of the development of the productive resources of the leading industrial countries. They show the relative backwardness of Germany as compared with most of her competitors in spite of the progress made in recent years.

THE INDUSTRIAL RESOURCES OF THE U.S.A., GREAT BRITAIN AND GERMANY IN 1924/25.

Branch of industry	HP per head [1] of the employed			U.S.A. = 100		
	in U.S.A. 1925	in Great Britain 1924	in Germany 1925	U.S.A.	Great Britain	Germany
Iron industry	12.85	9.15	7.35	100	75	58
General machine construction	3.62	2.60	1.29	100	81	36
Automobile industry	2.75	1.13	0.85 [2]	100	41	31
Electro-technical industry	2.46	1.28	1.18 [3]	100	52	48
Ship-building	6.04	2.70	2.21	100	45	37
Cotton-industry	5.02	3.14	1.89	100	63	38
Woollen industry ...	3.28	1.97	1.37	100	60	42
Total national economy	Use of machinery per head of the population in 1925 in RM [4]			U.S.A. = 100		
	in U.S.A.	in Great Britain	in Germany	in U.S.A.	in Great Britain	in Germany
	99.4	42.8	36.2	100	43	36

1) The figures for the U.S.A. and Great Britain have been compiled by the American National Ind.Conf.Board and are based on census data for both countries. We have included for comparison the German figures of the trade census of 1905.
2) Not including repair shops. 3) Not including erection and repair shops.
4) According to the Memorandum submitted to the World Economic Conference by the Association of German Machinery Works (Verein Deutscher Maschinenbauanstalten).

THE DEVELOPMENT OF PRODUCTION ACCORDING TO INDEX CALCULATIONS

YEAR	U.S.A.	Belgium	France	Italy
	Snyder and Federal Reserve Board (Total production)	Reichskredit-gesellschaft (Industry alone)	Statistique Générale (Industry alone)	Reichskredit-gesellschaft (Agriculture and industry)
	1913 = 100	1913 = 100	1913 = 100	1910/14 = 100
1913 ..	100	100	100	.
1924 ..	134	.	.	.
1927 ..	150 (approx.)	128	109	124 [2]
1928 ..	155 (approx.)	131 [1]	127 [1]	.

YEAR	Germany (present territory of the Reich not including the Saar)	Great Britain		
	Reichskredit-gesellschaft (Industry and agriculture)	Board of Trade (Industry alone)	Economist (Rokeling) Total production	Economist (Rokeling) National income	According to the Flux foreign trade calculations
	1913 [3] = 100	1924 = 100			
1913 ..	100.0	approx. 100 [4]	approx. 100 [4]		approx. 100 [4]
1924 ..	.	100	100	100	100
1927 ..	108.1	107.5	104.8	106.7	107
1928 ..	109.6	104.3 [5]	.	.	108 [6]

1) Estimated on the basis of 10 months.

2) Average 1925/27.

3) In the case of agricultural production: 1911-13 = 100.

4) The 1924 production attains the pre-war level.

5) Average of 9 months.

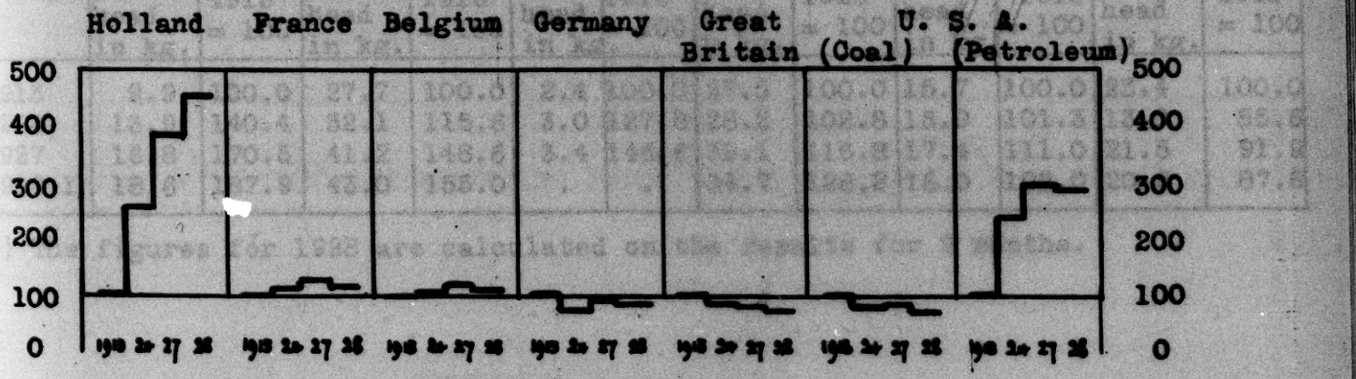
6) Estimated on the basis of 11 months.

THE PRODUCTION OF COAL

Monthly average	Holland		France		Belgium		Germany		Great Britain		U. S. A. Coal		U. S. A. Petroleum	
	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100
1913 ..	26.6	100.0	86.0	100.0	256.3	100.0	259.7	100.0	589.2	100.0	466.5	100.0	29.4	100.0
1924 ..	67.4	253.0	93.4	108.6	260.2	101.5	196.5	75.7	518.4	88.0	380.0	81.5	71.8	244.5
1927 ..	102.7	386.0	107.4	124.9	306.6	119.6	246.5	94.9	496.9	84.3	382.7	82.0	87.2	296.7
1928 [1] ..	120.0	451.0	105.0	122.1	305.0	119.0	245.0	94.3	464.0	78.8	349.0	74.8	85.1	289.5

1) The figures for 1928 are based on the results for 9 months.

THE PRODUCTION OF COAL
(1913 = 100)

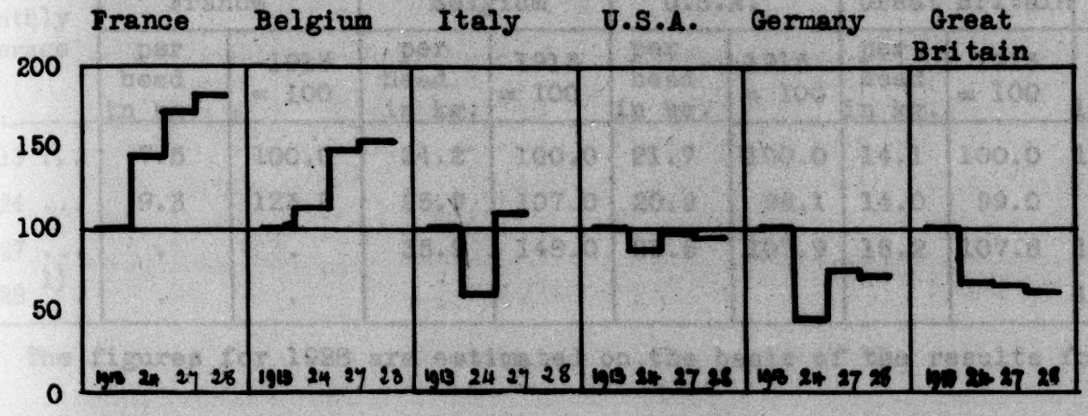


THE PRODUCTION OF PIG-IRON

Monthly average	France		Belgium		Italy		U.S.A.		Germany		Great Britain	
	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100
1913 ...	11.0	100.0	27.9	100.0	1.0	100.0	27.2	100.0	23.9	100.0	21.0	100.0
1924 ...	16.0	145.8	31.7	113.6	0.6	60.0	23.4	86.1	10.5	43.9	14.2	67.4
1927 ...	18.9	172.3	41.8	149.8	1.1	110.0	26.1	96.1	17.3	72.4	14.0	66.4
1928 [1] ...	20.0	181.8	43.0	154.1	.	.	26.0	95.6	17.0	71.1	13.0	61.9

1) The figures for 1928 are calculated on the results for 9 months.

PRODUCTION OF PIG-IRON
(1913 = 100)

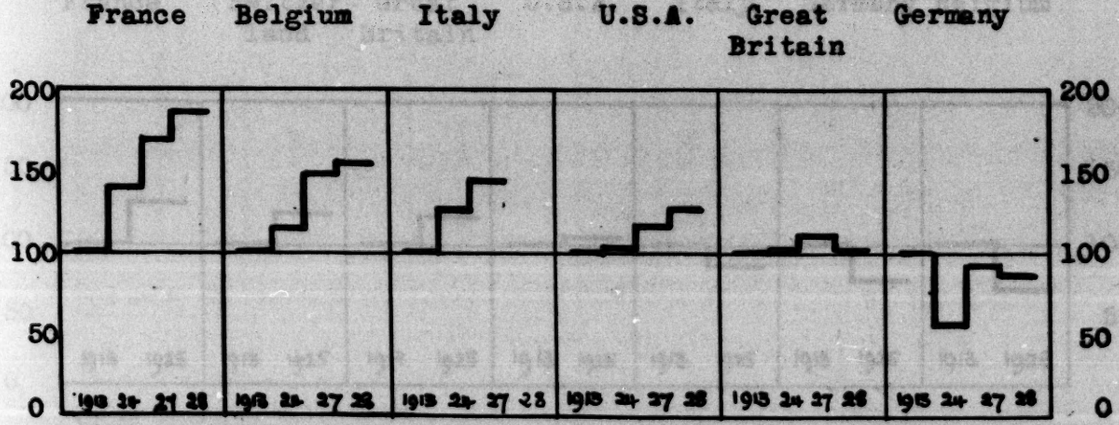


PRODUCTION OF STEEL

Monthly average	France		Belgium		Italy		U.S.A.		Great Britain		Germany	
	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100
1913	9.9	100.0	27.7	100.0	2.4	100.0	27.5	100.0	15.7	100.0	23.4	100.0
1924	13.9	140.4	32.1	115.6	3.0	127.8	28.2	102.8	15.9	101.3	13.0	55.6
1927	16.8	170.5	41.2	148.6	3.4	145.6	32.1	116.8	17.4	111.0	21.5	91.9
1928 1)	18.6	187.9	43.0	155.0	.	.	34.7	126.2	16.0	102.0	20.5	87.6

1) The figures for 1928 are calculated on the results for 9 months.

PRODUCTION OF STEEL
(1913 = 100)



PRODUCTION OF ROLLING MILLS

Monthly average	France		Belgium		U.S.A.		Great Britain		Germany	
	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100
1913 ...	7.5	100.0	24.2	100.0	21.7	100.0	14.1	100.0	16.3	100.0
1924 ...	9.3	123.8	25.9	107.0	20.9	96.1	14.0	99.0	9.8	60.1
1927 ...	.	.	35.9	148.0	23.5	107.9	15.2	107.8	15.7	96.3
1928 [1] .	.	.							16.2	99.4

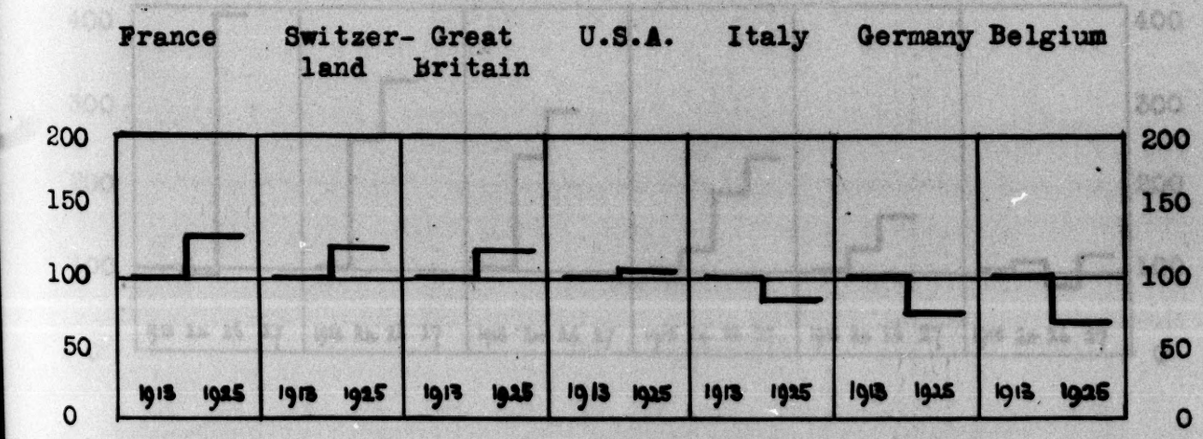
1) The figures for 1928 are estimated on the basis of the results for 9 months.

PRODUCTION OF MACHINERY

	France		Switzer-land		Great Britain		U.S.A.		Italy		Germany		Belgium	
	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100
1913	6.64	100.0	39.84	100.0	38.80	100.0	70.20	100.0	5.05	100.0	41.65	100.0	20.75	100.0
1925 [1]	8.59	129.4	48.47	121.7	45.84	118.1	73.37	104.5	4.29	85.0	30.98	74.4	14.42	69.5

1) Pre-war values.

PRODUCTION OF MACHINERY
(1913 = 100)



PRODUCTION OF ANILINE DYES

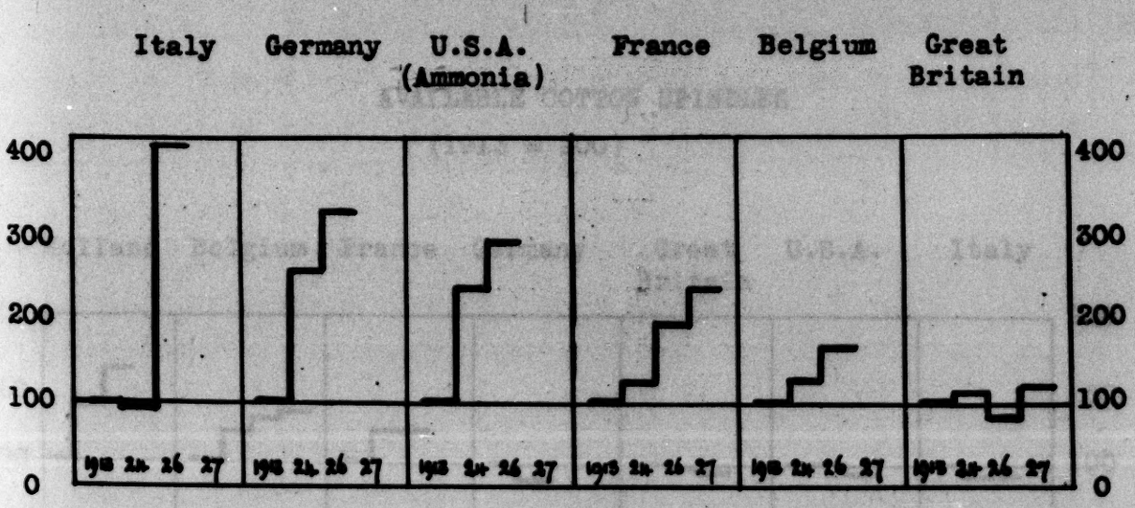
	U.S.A.		Great Britain		France		Switzerland		Germany	
	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100	per head in M.	1913 = 100
1913..	0.13	100.0	0.61	100.0	0.53	100.0	7.49	100.0	4.28	100.0
1926..	1.32	1,015.0	2.23	365.6	1.72	324.5	19.08	254.7	5.97	139.5

PRODUCTION OF AMMONIA SULPHATE

	Italy		Germany		U.S.A. Ammonia		France		Belgium		Great Britain	
	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100	per head in kg.	1913 = 100
1913	0.37	100.0	81.66	100.0	0.46	100.0	1.89	100.0	6.58	100.0	9.62	100.0
1924	0.35	94.6	209.35	256.4	1.08	234.8	2.32	122.7	8.15	123.9	10.57	109.9
1926	1.52	410.8	270.50	331.3	1.34	291.3	3.68	194.7	10.81	164.3	7.48 [1]	77.7
1927							4.43	234.4			10.88	113.1

1) Coal miners' strike.

PRODUCTION OF AMMONIA SULPHATE
(1913 = 100)



PRODUCTION OF ARTIFICIAL SILK

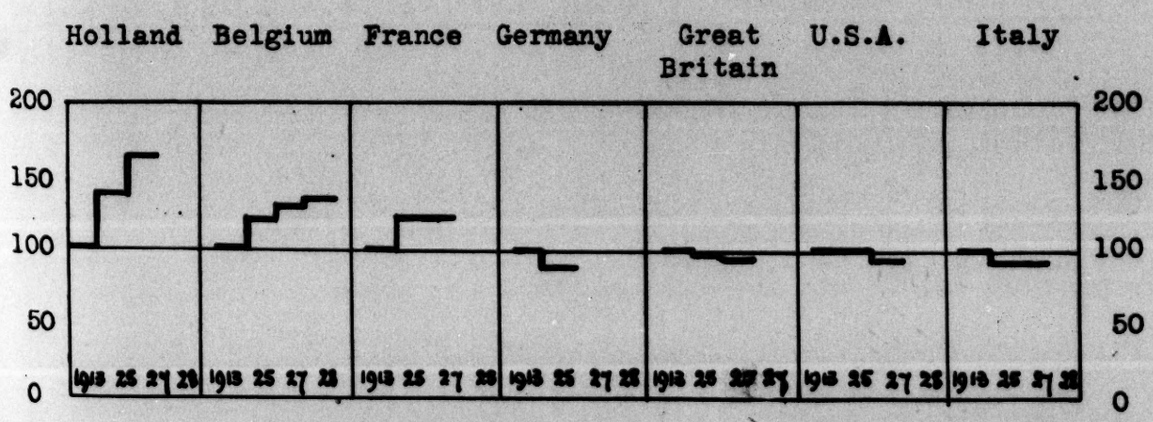
Monthly average	Italy		U.S.A.		Switzerland		France		Great Britain		Germany		Belgium	
	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100	per 1,000 head in kg.	1913 = 100
1913.	0.3	100.0	0.6	100.0	3.2	100.0	3.2	100.0	6.1	100.0	4.3	100.0	14.5	100.0
1924	21.8	6,229.0	12.8	2,133.0	38.9	1,215.6	11.6	362.5	20.7	339.4	14.4	334.9	45.0	310.4
1925	46.6	13,315.0	24.0	4,000.0	95.2	2,975.0	24.4	762.5	33.2	544.3	21.1	490.7	66.7	460.0

AVAILABLE COTTON SPINDLES

	Holland		Belgium		France		Germany		Great Britain		U.S.A.		Italy	
	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100	spindles per 1,000 of population	1913 = 100
1913	80	100.0	200	100.0	190	100.0	170	100.0	1,350	100.0	330	100.0	130	100.0
1925	110	137.5	240	120.0	230	121.0	150	88.2	1,300	96.3	330	100.0	120	92.3
1927	130	162.5	260	130.0	230	121.0	170	100.0	1,290	95.6	310	93.9	120	92.3

AVAILABLE COTTON SPINDLES

(1913 = 100)



PRODUCTION OF BREAD CEREALS

DATE	Italy		Belgium		Great Britain		U.S.A.		France		Germany	
	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100
1909-13	217	100.0	132	100.0	36	100.0	945	100.0	257	100.0	234	100.0
1924-28	230	106.0	124	94.5	32	89.0	785	83.5	210	81.6	158	67.5

PRODUCTION OF CEREALS FOR FODDER

DATE	Italy		Belgium		Great Britain		France		U.S.A.		Germany	
	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100
1909-13	.	.	83	100.0	75	100.0	164	100.0	218	100.0	196	100.0
1924-28	20	.	87	104.8	70	93.2	146	89.0	161	73.7	138	70.3

PRODUCTION OF POTATOES

DATE	Italy		Belgium		Great Britain		France		U.S.A.		Germany	
	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100	kg. per head of population	1909-1913 = 100
1909-13	48	100.0	81	100.0	360	100.0	392	100.0	104	100.0	693	100.0
1924-28	52	109.5	85	105.0	364	101.3	394	100.5	91	87.5	594	75.5

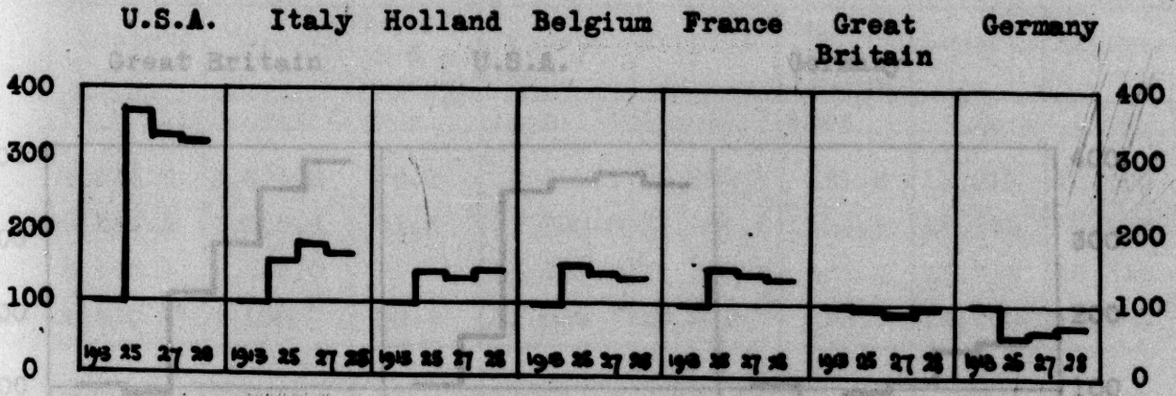
PRODUCTION OF SUGAR

DATE	Great Britain		U.S.A. incl. Cuba & San Domingo Cane sugar		U.S.A.		Italy		Belgium		France		Germany	
	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100	kg. per head of population	1912 - 1913 = 100
1912-13 .	.	.	35.4	100.0	6.5	100.0	5.70	100.0	36.2	100.0	22.0	100.0	31.6	100.0
1924-25 .	0.55	.	58.6	165.5	8.75	134.0	9.58	168.0	48.2	133.0	18.6	84.5	22.6	71.6
1927-28 .	5.00	.	47.2	133.3	8.11	124.5	6.12	107.0	31.7	87.7	18.9	86.0	23.7	75.1

SHIPS OF THE MERCANTILE FLEETS

	U.S.A.		Italy		Holland		Belgium		France		Great Britain		Germany	
	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100	In gross registered tons per 1,000 of population	1913 = 100
1914	31.2	100.0	48.1	100.0	255.4	100.0	47.4	100.0	58.6	100.0	466.2	100.0	81.2	100.0
1925	112.8	361.5	75.1	156.1	353.2	138.3	72.5	153.0	86.9	148.3	444.6	95.4	49.3	60.7
1927	102.5	328.5	84.7	176.1	350.8	137.3	66.6	140.5	84.6	144.4	436.9	93.7	53.2	65.5
1928	100.8	323.1	82.6	171.7	367.5	143.9	65.7	138.6	80.9	138.0	447.2	95.9	59.3	73.0

SUPPLY OF SHIPS
(1913 = 100)



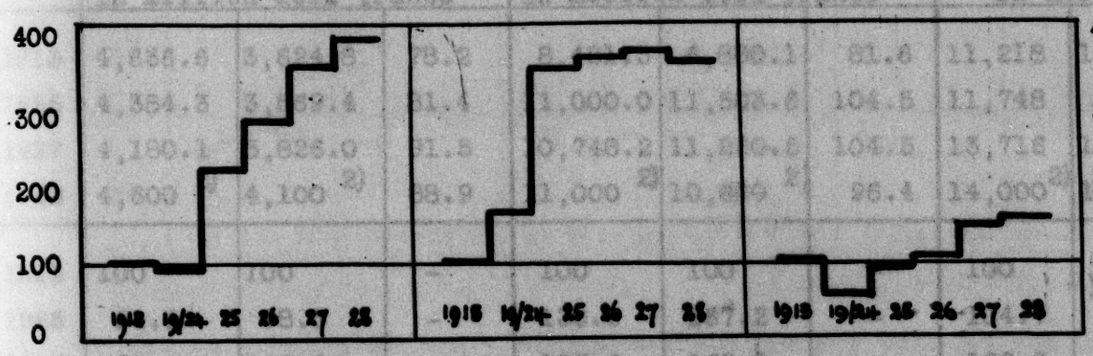
BUILDING ACTIVITY

	England		U. S. A. [1]					Germany	
	Absolute increase in dwelling houses per 1,000 head of present population	1913 = 100	Contracts concluded for dwelling houses in million dollars	Index of building costs	Contracts concluded for dwelling houses taking into consideration changed building costs in million dollars	Contracts concluded for dwelling houses taking into consideration changed building costs per 1,000 head in dollars	1915 = 100	Absolute increase in dwelling houses per 1,000 head of present population	1913 = 100
1913	1.52	100.0	417.98 [2]	100.8 [2]	414.65 [2]	5,165.5 [2]	100.0	3.14	100.0
1919-24 [4] ..	1.42	93.4	1,177.59	171.9	685.05	8,533.7	165.2	1.74	55.4
1925	3.46	227.6	2,359.91	158.7	1,487.00	18,525.0	358.6	2.81	89.5
1926	4.39	288.8	2,338.84	151.0	1,548.80	19,273.0	373.1	3.23	102.9
1927	5.50	361.8	2,326.94	146.8	1,585.10	19,746.0	382.3	4.53	144.3
1928 [3] ...	6.04	397.8	2,800.00	141.2	1,983.00	18,949.0	366.8	5.02	159.9

1) From 1915 to 1927 results from 27 Northern and Eastern States. Figures for 1928 based on the results of 37 States for 9 months.
2) 1915. 3) Provisional figures. 4) Annual average.

BUILDING ACTIVITY

(1913 = 100)



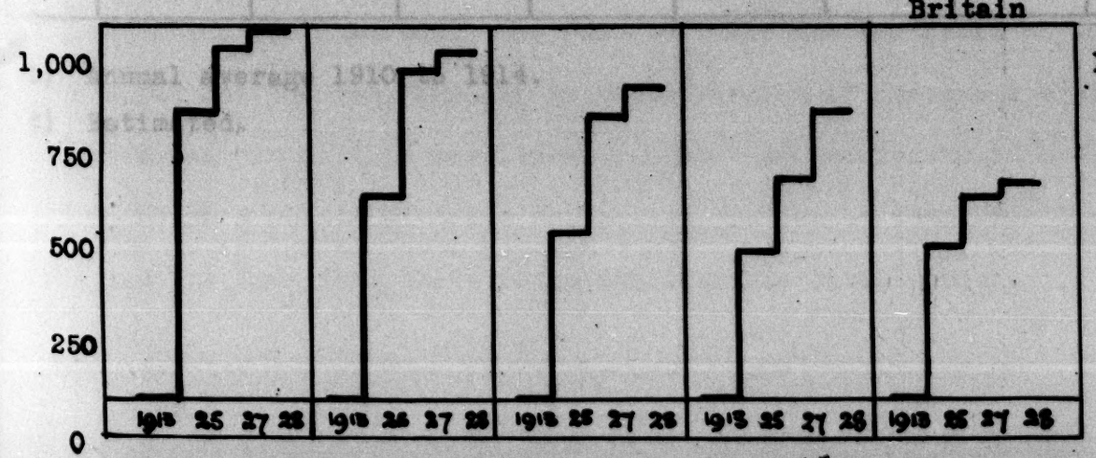
SUPPLY OF AUTOMOBILES

Automobiles per 1,000 inhabitants

DATE	U.S.A.		France		Italy		Germany		Great Britain		Belgium	
	No.	In % of 1913	No.	In % of 1913	No.	In % of 1913	No.	In % of 1913	No.	In % of 1913	No.	In % of 1913
1913..	17.70	100	2.22	100	0.40	100	0.85	100	3.92	100	.	.
1925..	153.60	869	14.20	641	2.22	553	4.20	495	20.20	512	8.69	.
1927..	185.00	1,043	21.80	981	3.41	852	5.84	687	25.20	644	12.95	.
1928..	192.00	1,085	22.90	1,031	3.75	938	7.43	872	26.40	674	13.35	.

SUPPLY OF AUTOMOBILES

(1913 = 100)



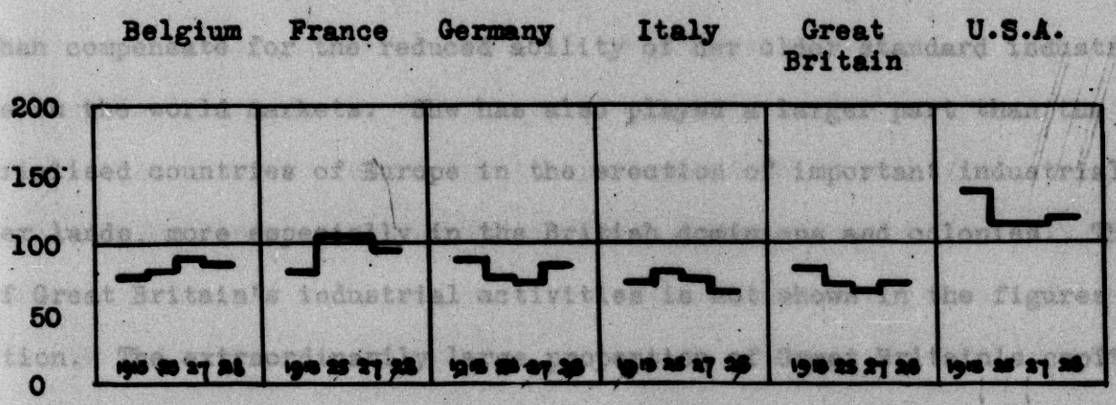
EXPORT TRADE

	Belgium			France			Germany		
	Imports	Exports	Exports in % of imports	Imports	Exports	Exports in % of imports	Imports	Exports	Exports in % of imports
	In million gold francs			In million gold francs			In million RM		
1913	4,636.6	3,624.8	78.2	8,421.3	6,880.1	81.6	11,218	10,200	90.9
1925	4,384.3	3,569.4	81.4	11,000.0	11,503.6	104.5	11,748	8,928	76.0
1927	4,180.1	3,826.0	91.5	10,748.2	11,230.5	104.5	13,716	10,368	75.5
1928	4,600 2)	4,100 2)	88.9	11,000 2)	10,600 2)	96.4	14,000 2)	12,000 2)	85.7
1913	100	100	-	100	100	-	100	100	-
1925	94.5	98.5	-	130.6	167.2	-	104.7	87.5	-
1927	90.2	105.6	-	127.6	163.2	-	122.3	101.6	-
1928	99.4	113.1	-	129.7	153.8	-	124.8	117.7	-
	Italy			Great Britain			U.S.A.		
	Imports	Exports	Exports in % of imports	Imports	Exports	Exports in % of imports	Imports	Exports	Exports in % of imports
	In million gold lire			In million £			In million $		
1913	3,359	2,490	74.1 1)	768.7	634.8	82.6	1,793	2,484	138.5
1925	5,411	4,340	80.2	1,320.7	927.4	70.2	4,227	4,910	116.2
1927	5,391	4,132	76.6	1,219.4	832.1	68.2	4,184	4,865	116.3
1928	5,700 2)	3,850 2)	67.5	1,200 2)	850 2)	70.8	4,150 2)	4,900 2)	118.0
1913	100	100	-	100	100	-	100	100	-
1925	161.1	174.3	-	171.7	146.1	-	235.7	197.7	-
1927	160.5	165.9	-	158.6	131.1	-	233.3	195.9	-
1928	168.6	154.6	-	156.1	133.9	-	231.5	197.3	-

1) Annual average 1910 to 1914.

2) Estimated.

EXPORT TRADE
(Exports in percentage of imports)



It is remarkable that Belgium and France are next to the United States the countries, the productive resources of which have most increased. The material damage due to the war has been made good, and their industries are today in possession of equipment much superior both as regards capacity and technical equipment to that of pre-war days. Detailed information to this effect is available in the case of France in the Reports of the British Commercial Attaché in Paris, Mr J.R. Cahill, and in the case of Belgium in the publications of the "Mutuelle Solvay". It is obvious that the enormous task which had to be accomplished by these countries in the reconstruction of their devastated areas has developed very considerable hitherto dormant economic energies. Now that reconstruction is for all practical purposes complete, it is to be expected that the two countries will utilise their great capacity for production to increase sales on the world market. The fact that the pre-war ratio of imports to exports has shifted very greatly in the direction of increased exports is no doubt a feature of this development. The rise in exports in both countries is by no means a result of trade depression, as can be seen from the tables on output and the fact that there is no considerable unemployment.

Great Britain has been able at the same time to create a number of new industries and undertakings, more especially in southern England, and thereby more than compensate for the reduced ability of her older standard industries to compete on the world markets. She has also played a larger part than the other industrialised countries of Europe in the erection of important industrial plant in other lands, more especially in the British dominions and colonies. This element of Great Britain's industrial activities is not shown in the figures of her production. The extraordinarily large proportion of Great Britain's capital issues which went to the mother country, the dominions and the colonies gives an idea of the extent to which the reorganisation of British production has gone.

ENGLISH LOANS TO THE BRITISH EMPIRE
(Total after deduction of conversions)

YEAR	Mother country (not including State loans), dominions and possessions
	in millions of £
1913	112
1919/24	208
1925	160
1926	177
1927	241
1928	approx. 180

Germany's production has not increased to the extent necessary to counterbalance the changes in the balance of her foreign holdings and commitments since the war. The following is an attempt to show the extent to which the productive resources of Germany will have to be increased if the burden of these changes in the balance of payments is to be made good.

The balance of Germany's international indebtedness has been modified to her disadvantage to the extent of approximately RM 4½ milliards present-day value per annum as a result on the one hand of the sequestration of her property abroad and of her fleet, and on the other hand of the burden of the reparations charges. The reparations charges are put for the purpose at RM 2½ milliards, the balance of the income no longer received for interest and services at (roughly) 1.7 milliard marks pre-war value or (with an index of purchasing power of 140 per cent) at RM 2.4 milliards present-day value. The present favourable balance of the income from services of nearly RM 0.4 milliard is deducted, while the present adverse balance of the interest payments is not included. The long duration of these charges makes it natural to desire to increase production at least by such amount as is necessary to obtain additional profits to the equivalent value of the new burden of RM 4½ milliards. If the profits of production are taken in accordance with recent English economic theory to be 12 per cent, an increased production of about RM 40 milliards per annum beyond the pre-war figure would be required, other things being equal. That is to say, if Helfferich's estimation of pre-war production in Germany is converted into present values, production would have to be increased to about 170 per cent of its present total. Germany has not yet arrived at two-thirds of this amount.

THE FORMATION OF CAPITAL.

The position in this respect is completely in accordance with the fact that the annual formation of capital in present-day Germany is, according to all the calculations and estimates hitherto made, both absolutely and per head of the population appreciably less than in pre-war days. It is quite inadequate to satisfy the requirements of the current increase in the population (held up to now in abeyance) and concurrently to pay reparations for the amount demanded up to the present.

In all other industrialised countries the formation of capital has attained and in most cases exceeded the pre-war figure, even when we allow for the change in money values. According to the calculations of Bowley and Stamp and the Committee of Industry and Trade, Great Britain had already reached the 1913 level of capital formation in 1924, eliminating fluctuations in money values. Since that date the prosperity of the British nation has increased according to "The Economist"(Rokeling) both absolutely and per head of the population. In France, Belgium and also Italy the big rise in production and the concurrent improvement in the balance of payments implies the formation of capital to an extent appreciably above that of pre-war days. The increase in the prosperity of the United States requires no further argument.

THE CAPITAL MARKET

The attempts made during the past two years, concurrently with this inadequate formation of capital, to satisfy some of the urgent needs due to the increased population has led to a state of tension on the capital market unparalleled in any industrial country. During the year just ended the ratio of capital supply to demand has once more worsened. This is shown by the movement in interest rates.

The rise in interest rates is most clearly marked in the case of interest on long-term investments, as will be seen in the following tables.

MINIMUM YIELD ON FIXED INTEREST-BEARING SECURITIES [1]

Categories with a minimum yield of	represent at the middle of the month the following percentages of the whole														
	Jan.	July	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	1927			1928											
less than 6 %	13.3	0.7	0.3	0.9	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.6
from 6 to 6½%	20.0	10.3	0.6	1.8	1.5	1.2	0.9	0.8	0.8	0.8	1.3	1.3	1.3	1.2	1.0
" 6½ " 7 %	25.2	14.3	10.7	10.0	10.0	7.8	8.0	5.8	5.2	3.4	3.6	2.8	1.5	1.4	2.6
" 7 " 7½%	23.0	27.9	7.6	9.7	7.6	5.5	6.9	7.3	8.7	10.3	9.1	8.0	8.4	9.4	7.9
" 7½ " 8 %	16.3	34.6	24.9	27.8	27.5	27.1	24.7	22.6	20.2	15.5	12.6	11.9	10.7	10.3	12.1
" 8 " 8½%	1.5	10.3	39.9	41.6	41.6	42.6	40.8	43.6	46.0	47.6	49.0	48.6	46.6	45.1	44.2
" 8½ " 9 %	0.7	1.5	12.9	7.0	9.4	13.8	16.7	18.2	16.6	19.7	20.2	22.7	25.9	25.9	24.4
more than 9 %	0.0	0.4	3.1	1.2	2.1	1.7	1.7	1.4	2.2	2.4	3.9	4.4	5.3	6.5	7.2
Average minimum yield	6.83	7.37	7.96	7.85	7.92	8.00	8.01	8.06	8.05	8.12	8.15	8.19	8.24	8.25	8.23

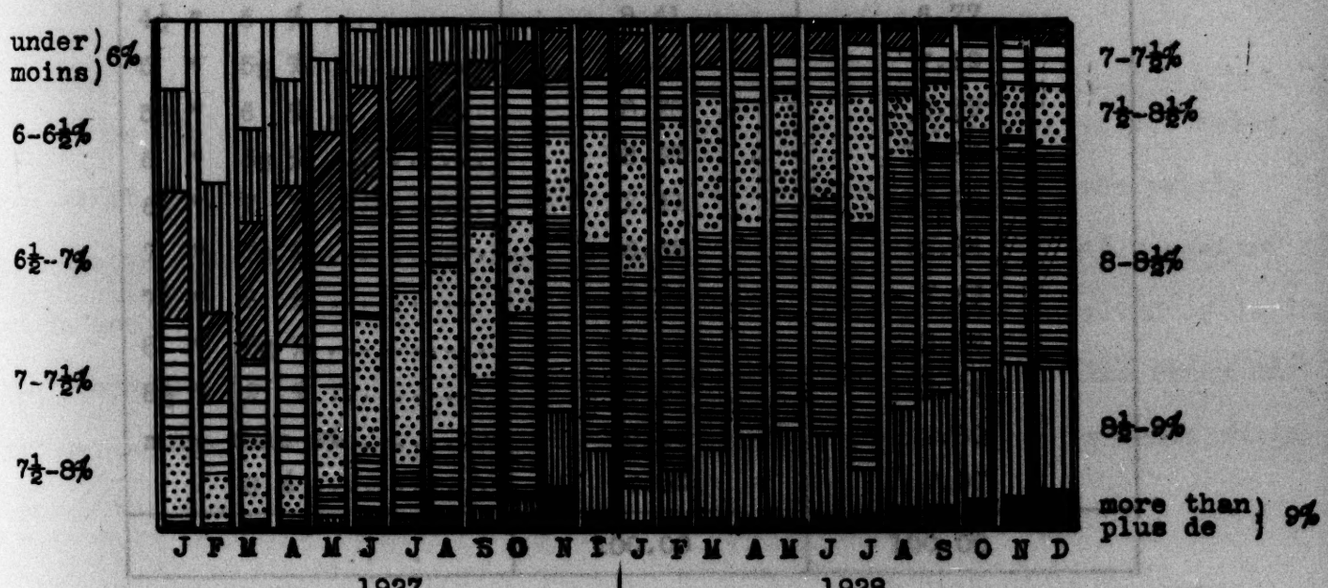
1) In calculating the yield the date of repayment most unfavourable for the holder of the securities is taken.

MINIMUM YIELD ON FIXED INTEREST BEARING SECURITIES

The following are the percentages represented by categories with a minimum yield of:

Rendement minimum des valeurs à revenu fixe

Sur 100 valeurs à revenu fixe, proportion des valeurs ayant un rendement minimum de:



YIELD FROM SPOT DELIVERY SHARES ON THE BERLIN BOURSE [1]

Categories of	with a yield represent the following percentages of the total market value	
	June 15, 1928	December 15, 1928
1 to 2 %	1.29	1.54
2 " 3 %	2.40	2.11
3 " 4 %	8.57	4.18
4 " 4½ %	4.99	1.52
4½ " 5 %	8.41	6.77
5 " 5½ %	14.68	7.19
5½ " 6 %	8.28	8.39
6 " 6½ %	18.67	13.68
6½ " 7 %	12.41	17.98
7 " 7½ %	6.38	12.34
7½ " 8 %	4.94	7.63
8 " 8½ %	1.63	3.89
8½ " 9 %	0.31	2.91
more than 9%	0.54	2.80
0 %	6.50	7.07
	100.00	100.00

1) Insurance companies are not included in the above figures.

AVERAGE YIELD FROM SHARES OF THREE LEADING BANKS

June 15	July 15	Aug.15	Sept.15	Oct.15	Nov.15	Dec. 15
5.99	6.26	6.20	6.07	6.21	6.25	6.26

INTEREST ON MORTGAGES
(in percentages)

January	9.88	July	10.15
February	9.89	August	10.18
March	9.83	September .	10.20
April	10.15	October ...	10.24
May	10.16	November ..	10.26
June	10.13	December ..	10.24

On the money market the tension has somewhat slackened latterly. Rates are still generally higher than at the beginning of the year, and the yearly average exceeds that of the preceding year; but in the case of bills against goods backed by banks and ordinary bank acceptances interest sank slightly during the second half of the year. The rates for most forms of loan on the money market during the last quarter of the current year were lower than the rates ruling during the corresponding quarter of the preceding year.

RATES OF INTEREST ON THE MONEY MARKET

DATE [1]	Debit Interest						Credit Interest			
							Credit interest of the Stempelvereinigung			
							Day to day money		14 days to one month	
	Day to day money	Month to month money for banks	Bills against goods for all customers	Bank acceptances	Reichsbank discount	Debit interest of the Stempelvereinigung including commission	Free of commission	Subject to commission	Free of commission	Subject to commission
	Monthly average				Position at the end of the month [1]					
	Percentages									
1925										
January ...	10.10	12.00	.	8.03	10.0	15.0	.	.	.	.
December ..	7.45	10.40	.	6.67	9.0	13.4	5.0	5.0	7.0	7.0
1926										
January ...	6.20	8.99	9.09	6.04	8.0	12.4	4.0	4.5	6.0	6.5
December ..	5.52	7.12	5.76	4.72	6.0	9.0	3.0	3.5	4.5	4.5
1927										
January ...	3.80	5.96	4.66	4.09	5.0	8.0	2.5	3.0	4.0	4.0
December ..	6.51	9.00	7.60	6.77	7.0	10.0	4.0	4.5	6.0	6.0
1928										
January ...	6.22	7.78	7.19	6.20	7.0	10.0	4.0	4.5	5.75 [2]	5.75 [2]
February ..	6.97	7.57	7.21	6.33	7.0	10.0	4.0	4.5	5.75	5.75
March	7.21	7.88	7.22	6.77	7.0	10.0	4.0	4.5	5.75	5.75
April	7.03	8.00	7.20	6.67	7.0	10.0	4.0	4.5	5.75	5.75
May	6.89	8.00	7.21	6.64	7.0	10.0	4.0	4.5	5.75	5.75
June	7.20	8.14	7.16	6.65	7.0	10.0	4.0	4.5	5.75	5.75
July	6.95	8.30	7.28	6.71	7.0	10.0	4.0	4.5	5.75	5.75
August	6.65	8.44	7.31	6.68	7.0	10.0	4.0	4.5	5.75	5.75
September..	7.26	8.50	7.28	6.61	7.0	10.0	4.0	4.5	5.75	5.75
October ...	6.94	8.50	7.17	6.50	7.0	10.0	4.0	4.5	5.75	5.75
November...	7.47	8.50	7.11	6.25	7.0	10.0	4.0	4.5	5.75	5.75
December [3]	7.32	8.64	7.30	6.48	7.0	10.0	4.0	4.5	5.75	5.75

1) The monthly average rates in each case cover a period extending from the 11th of one month to the 10th of the following month.

2) As from January 19, 1928.

3) Provisional figures.

The above record of the rates on the money and capital markets again reflects the part played by foreign capital imports in the German capital supply. The foreign capital is imported mainly in the form of short-term loans.

The increasing inclination of foreign capital markets in past years to invest capital in Germany strengthened the readiness of the German internal market to accept German securities. Similarly during the current year the smaller participation of foreign countries had its counterpart in a greater reserve on the part of the German market in regard to fresh issues.

CAPITAL ISSUES

DATE	Influx of capital into the Savings Banks		Capital issues on the internal capital market						
				German issues					Foreign issues
			Total capital issues	Issues of public bodies		Issues of private enterprise			
	Savings Deposits	Giro Deposits		Loans	Increase in the circulation of communal bonds	Increase in the circulation of mortgage bonds	Loans	Shares [1]	
	in millions of marks or reichsmarks								
1907-13	957		3,687	1,171	911		400	732	473
1913/14.....	1,010		3,674	1,251	741		331	600	751
1925	1,241		1,714	50	40	840	113	661	10
1926	1,461	244	4,580	1,182	466	1,628	339	898	67
1927	1,576	32	4,511	886	346	1,649	161	1,368	101
1928	2,230	.	4,286	862	473	1,455	256 v	1,236	4
1926									
1st Quarter	415	132	674	230	40	290	8	99	7
2nd "	318	71	1,215	422	165	337	163	120	8
3rd "	351	36	1,267	274	92	451	129	305	16
4th "	377	6	1,424	256	169	550	39	374	36
1927									
1st Quarter	628	93	2,097	802	203	534	150	378	30
2nd "	304	- 54	1,119	66	68	476	10	432	67
3rd "	318	- 7	605	4	36	312	-	249	4
4th "	327	- 1	690	14	39	327	1	309	-
1928									
1st Quarter	782	133	1,472	361	129	531	250	201	-
2nd "	441	47	1,292	368	186	327	-	411	-
3rd "	482	6	746	42	78	297	4	324	1
4th " 2)	525	.	776	91	80	300	2	300	3

1) According to the price of issue.
2) Partially estimated.

There have on the whole been fewer capital issues this year than in the previous year. If however a comparison is made between the respective half-years, it is found that the falling off was mainly during the second half of 1927 and the first half of 1928.

It was not always easy to place these reduced issues, as the movement of prices of the Stock Exchange as given in the following table shows. The prices of shares remained in spite of fluctuations at the level of the close of the previous year. The price level of bonds fell gradually.

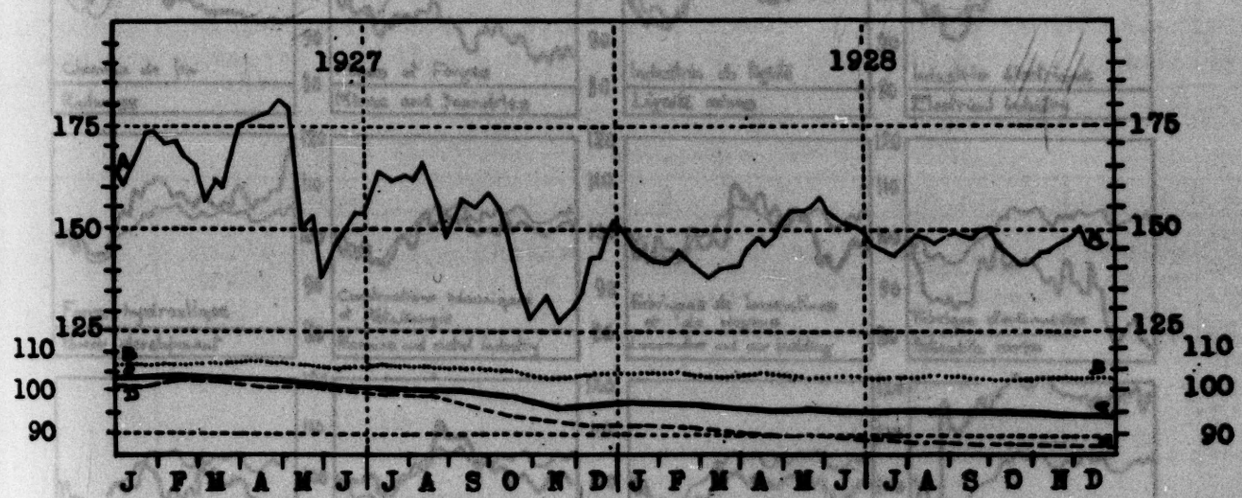
THE MOVEMENT OF PRICES

	Share index of Reichs-Kredit-Gesell-schaft 1925=100	Average prices			Indices of		
		10%	8%	7%	10%	8%	7%
		Gold bonds based on figures published in Berliner Tageblatt			Gold bonds January 1927 = 166.2		
1927							
January..	166.2	166.8	103.1	100.9	166.2	166.2	166.2
April ...	176.4	107.5	102.6	101.7	167.3	165.4	167.5
December.	139.7	103.7	96.8	92.2	161.7	156.0	151.9
1928							
January..	146.8	104.6	97.5	92.0	162.8	157.2	151.5
February.	142.0	104.4	97.1	91.6	162.5	156.5	150.9
March ...	139.4	104.1	96.4	90.4	162.0	155.4	148.9
April ...	146.4	103.9	96.2	89.9	161.7	155.1	148.1
May	153.8	103.7	96.0	89.4	161.4	154.7	147.2
June.....	152.5	103.7	95.7	88.8	161.4	154.3	146.3
July	145.4	103.7	95.6	88.3	161.4	154.1	145.4
August...	147.2	103.6	95.4	87.8	161.2	153.8	144.6
September	148.1	103.3	95.1	87.4	160.7	153.3	144.0
October..	144.8	102.5	94.8	87.1	160.0	152.8	143.0
November.	144.8	102.8	94.6	87.0	160.0	152.5	143.3
December[1]	147.2	103.1	94.6	86.8	160.4	152.5	143.1

1) Provisional figures.

THE MOVEMENT OF PRICES ON THE BERLIN STOCK EXCHANGE

A = Share index of the Reichskreditgesellschaft,
B = 10%, C = 8% and D = 7% gold bonds.
(Average prices according to the Berliner Tageblatt)



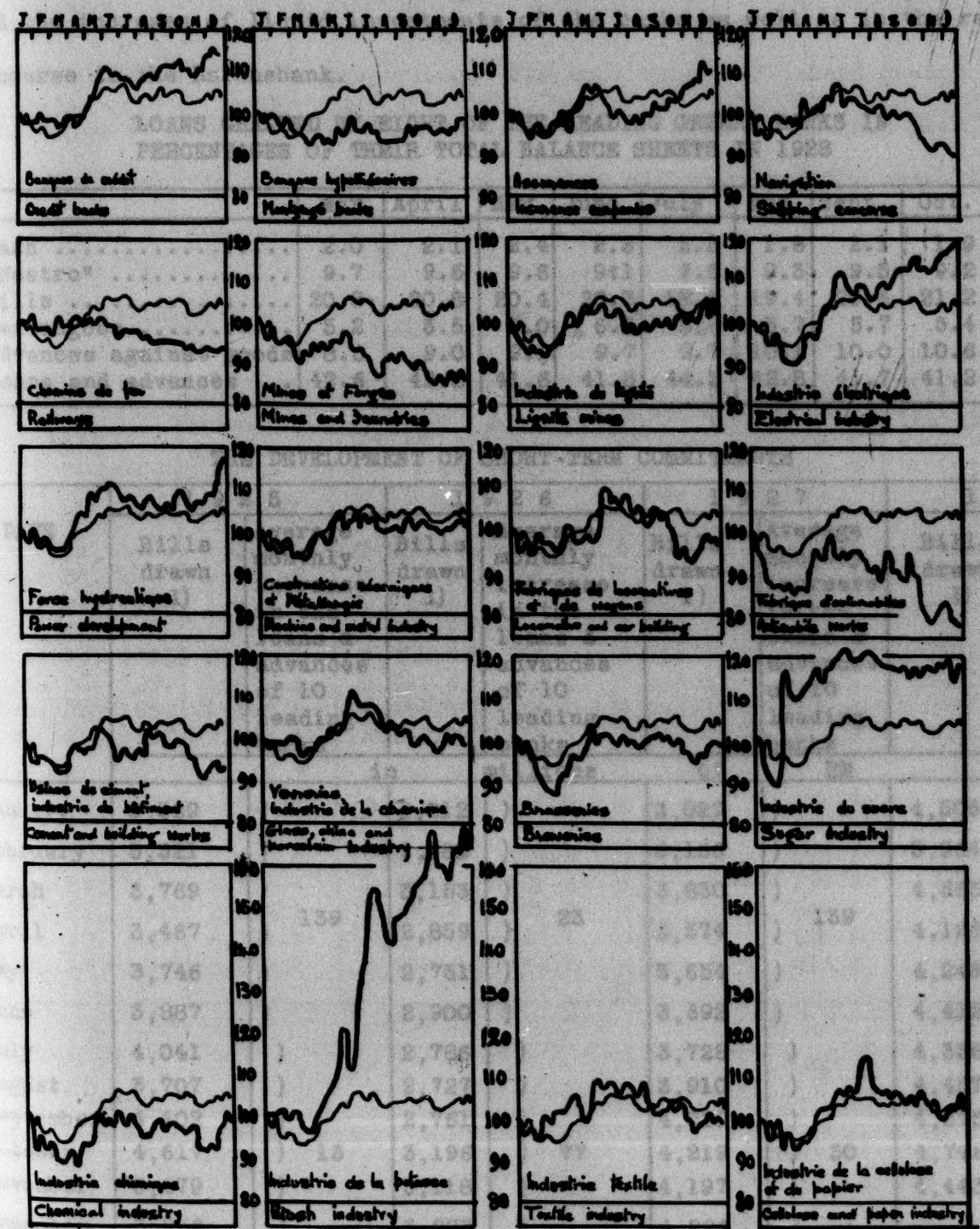
Some markets have been able appreciably to show increased quotations owing to special circumstances or to the greater power of absorption of the world market for the products in question, as is illustrated by the following graphs. The difficulties encountered by other groups during the current year appear all the greater.

SHARE INDICES OF VARIOUS GROUPS OF INDUSTRY DURING 1928
(January 4 = 100)

as compared with the group average (lighter line)

Indices des actions de diverses catégories d'entreprises en 1928
(4 janvier = 100)

Comparaison avec la moyenne de la catégorie (trait faible)



These share indices are based on the group indices taken from the "Deutscher Volkswirt".
Ces indices ont été établis à l'aide des indices des diverses catégories d'entreprises que publie "Der Deutsche Volkswirt".

The drop in production and turnover, capital investments and the accumulation of stocks is making itself felt by degrees. A reduction in the proportion of short-term inland indebtedness to the total inland indebtedness appears to be beginning gradually. Signs of this are to be found in the rise in bank credits and the increase of liquid investments of the banks as well as in the reduced recourse to the Reichsbank.

LOANS GRANTED BY EIGHT OF THE LEADING GERMAN BANKS IN PERCENTAGES OF THEIR TOTAL BALANCE SHEETS IN 1928

	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.
Cash	2.0	2.1	2.4	2.3	2.3	1.8	2.1	1.9	1.8
"Nostro"	9.7	9.5	9.6	9.1	9.5	9.3	9.5	9.2	9.5
Bills	20.8	20.8	20.4	20.3	18.9	19.4	20.4	21.2	21.1
Contangoes	5.2	5.5	6.0	6.2	5.8	5.7	5.7	5.4	5.5
Advances against goods	8.6	9.0	9.1	9.7	9.7	10.1	10.0	10.6	11.1
Loans and advances ...	42.6	42.2	41.6	41.8	44.2	42.8	41.7	41.2	42.2

THE DEVELOPMENT OF SHORT-TERM COMMITMENTS

DATE	1925		1926		1927		1928		
	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	Bills drawn 1)	Average monthly increase in the loans & advances of 10 leading banks	
	in millions of RM								
January	3,359	)	3,012	)	3,029	)	4,506	)	
February	3,321	)	2,988	)	3,166	)	3,964	) 252)	
March	3,769	)	3,153	)	3,830	)	4,663	68)	
April	3,467	) 139	2,859	) 23	3,374	) 139	4,126	47) (155)	
May	3,746	)	2,751	)	3,654	)	4,246	-18)	
June	3,887	)	2,900	)	3,692	)	4,412	22)	
July	4,041	)	2,786	)	3,728	)	4,335	167)	
August	3,707	)	2,727	)	3,910	)	4,457	12)	
September	4,402	)	2,761	)	4,029	)	4,276	35) (65)	
October	4,617	) 13	3,196	) 77	4,219	) 30	4,742	75)	
November	3,479	)	3,118	)	4,197	)	4,443	36)	
December	3,256	)	3,273	)	4,296	)			

1) Estimated on the basis of the results of the Bill Stamp Duty.

Since, owing to the wide divergencies in interest rates and the inelastic capacity of the home market, the offers of foreign capital have been accepted to as large an extent as ever, there has been a rise in the gold holdings of the Reichsbank. The credit reserves of the bank and the safeguards against the dangers to which the German economy in its great dependence on foreign capital is liable have risen in proportion. The utilisation of inland credit for the formation of gold reserves instead of commodity reserves as last year has reduced the tension on the German money market and increased the capacity of the home banks to give credit.

POSITION OF THE REICHSBANK

DATE	Gold and foreign exchange available as cover	Bills	Loans against collateral	Circulation of		Giro liabilities	Discount rate %
				Reichsbank notes	Rentenbank notes		
Dec. 31, 1924	1,012.8	2,064.1	17.0	1,941.4	1,835.0	820.9	10.0
June 30, 1925	1,415.6	1,691.5	46.5	2,474.4	1,671.9	564.4	9.0
Dec. 31, 1925	1,610.6	1,914.8	10.3	2,960.4	1,475.7	697.0	9.0
June 30, 1926	1,817.1	1,288.2	143.3	2,971.2	1,387.8	526.9	6.5
Dec. 31, 1926	2,350.6	1,828.6	84.1	3,735.5	1,164.1	648.0	6.0
June 30, 1927	1,869.6	2,494.6	146.6	3,815.2	1,017.1	669.5	6.0
Dec. 23, 1927	2,140.1	2,416.8	44.1	4,046.4	709.9	567.4	7.0
Dec. 31, 1927	2,146.6	3,128.7	78.3	4,564.0	716.2	779.1	7.0
Mar. 31, 1928	2,119.7	2,652.0	84.9	4.513.2	616.0	532.6	7.0
June 30, 1928	2,333.8	2,477.2	138.3	4,674.2	578.3	525.2	7.0
July 31, 1928	2,383.4	2,516.5	76.9	4,569.3	560.5	541.5	7.0
Aug. 31, 1928	2,443.0	2,603.9	128.9	4,673.0	570.1	564.6	7.0
Sept.29, 1928	2,576.4	2,576.1	101.6	4,830.2	570.3	503.0	7.0
Oct. 31, 1928	2,696.1	2,348.3	95.2	4,672.0	542.7	493.9	7.0
Nov. 30, 1928	2,796.5	2,211.5	113.1	4,724.0	524.3	473.4	7.0
Dec. 22, 1928	2,987.5	1,933.5	37.5	4,481.5	514.4	486.5	7.0

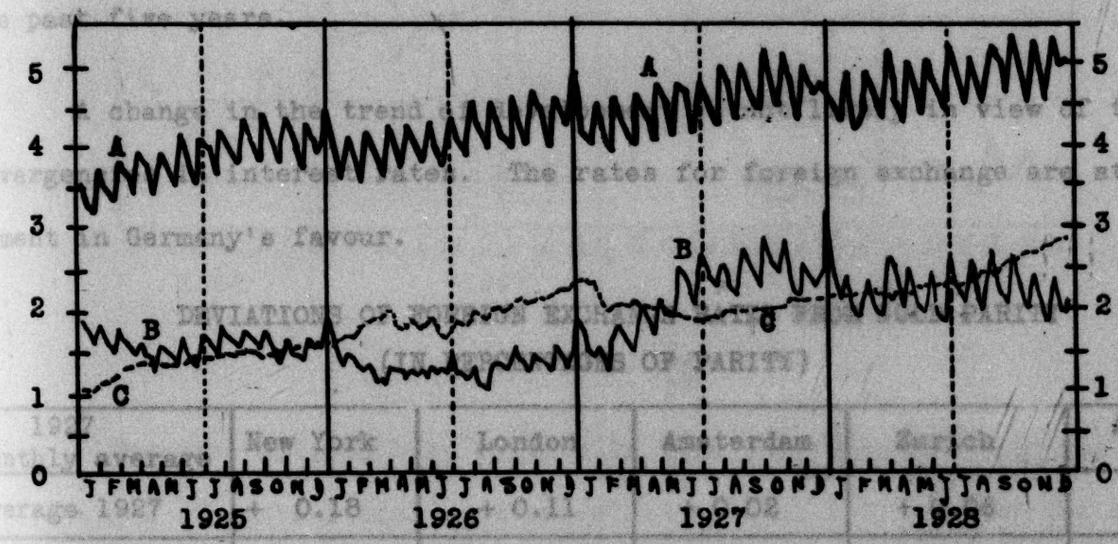
POSITION OF THE REICHSBANK

A = Circulation of Reichsbank and Rentenbank notes

B = Calls on the Bank in the form of bills and loans against collateral

C = Gold and foreign exchange cover

(in milliards of RM)



GOLD HOLDINGS AND MONEY IN CIRCULATION

(in millions of RM)

	Gold and foreign exchange available for cover	Reichsbank notes less the decrease in giro liabilities	Calls on the Reichsbank in respect of bills and loans against collateral	Decrease in the Rentenbank notes in circulation	Total increase in the money in circulation
Changes during the period November 23,1927 to November 23, 1928	+ 621	+ 282	- 348	- 256	+ 26

These changes are also symptomatic of the progress made in the direction of an automatic balancing of the international markets. At the present time money and gold are passing from the centres having surpluses to the centres

suffering from shortage more freely and in larger quantities than ever before since the war. There is increased confidence that debtors will fulfil their engagements. It is to this that the improvement in international equilibrium is due, which is mainly responsible for the economic progress achieved throughout the world during the past five years.

A change in the trend of development is not likely in view of the existing divergencies in interest rates. The rates for foreign exchange are still at the moment in Germany's favour.

DEVIATIONS OF FOREIGN EXCHANGE RATES FROM GOLD PARITY
(IN PERCENTAGES OF PARITY)

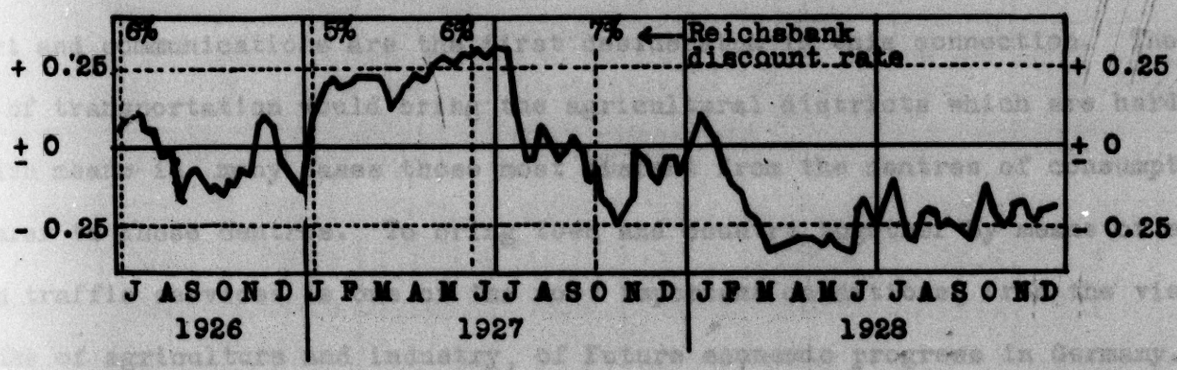
1927 Monthly average	New York	London	Amsterdam	Zurich	Aggregate average
Average 1927	+ 0.18	+ 0.11	+ 0.02	+ 0.06	+ 0.09
1928					
January	- 0.09	+ 0.15	+ 0.32	- 0.17	+ 0.05
February	- 0.21	± 0.00	- 0.01	- 0.45	- 0.16
March	- 0.41	- 0.09	- 0.22	- 0.56	- 0.32
April	- 0.45	- 0.09	- 0.11	- 0.51	- 0.29
May	- 0.51	- 0.15	- 0.08	- 0.57	- 0.33
June.....	- 0.40	- 0.07	+ 0.01	- 0.45	- 0.23
July	- 0.23	- 0.22	- 0.04	- 0.34	- 0.21
August	- 0.10	- 0.32	- 0.27	- 0.29	- 0.24
September ...	- 0.09	- 0.37	- 0.30	- 0.30	- 0.26
October	- 0.02	- 0.32	- 0.24	- 0.24	- 0.21
November	- 0.06	- 0.38	- 0.17	- 0.25	- 0.21
December [1] ..	- 0.11	- 0.37	- 0.13	- 0.21	- 0.21

1) Provisional figures.

DEVIATIONS OF FOREIGN EXCHANGE RATES IN BERLIN FROM PARITY

(IN PERCENTAGES OF PARITY)

(Average of the exchanges of New York, London, Amsterdam and Zurich)



The more satisfactory results of this year's harvest and the gradual consolidation of agricultural debts were not without influence on the money market. The following statistics, which apply to a time of year when the short-term debts of agriculture are relatively large and the proceeds of the harvest have not yet reduced liabilities, show an absolute and relative decrease in short-term indebtedness, but concurrently a large increase in long-term indebtedness.

AGRICULTURAL INDEBTEDNESS

(According to the Institut für Konjunkturforschung)

	Dec.31,1925		Dec.31,1926		Sept.30,1927		Dec.31,1927		Sept.30,1928	
	in millions of RM	in %	in millions of RM	in %	in millions of RM	in %	in millions of RM	in %	in millions of RM	in %
Mortgage credits & credits of medium maturity	1,037	32.5	2,120	53.0	2,721.9	53.4	3,055	59.4	3,742	63.5
Short-term credits..	2,158	67.5	1,893	47.0	2,371.4	46.6	2,082	40.6	2,146	36.5
	3,195	100.0	4,013	100.0	5,093.3	100.0	5,137	100.0	5,888	100.0

The interest charge has kept pace with the rise in the total indebtedness of agriculture, which is now estimated at over RM 1 milliard gross. For this reason any possibilities of intensifying methods which will not fall directly on the agriculturalists deserve increased attention in the future. Improved transport and communications are the first desideratum in this connection. The speeding-up of transportation would bring the agricultural districts which are hardest hit - which means in many cases those most distant from the centres of consumption - nearer to those centres. To bring town and country together by means of accelerated traffic services is one of the most important conditions, from the view-point alike of agriculture and industry, of future economic progress in Germany.

Small and medium savings organisations, more especially the savings banks and public and private insurance companies, lent considerable assistance to the capital market during the current year - to a greater extent even than in previous years. The steady and even increase of savings in the form of deposits with the insurance companies did much to compensate for the heavy fluctuations in the supply of capital as a whole. Liberty of investment in respect of these funds is of course restricted. A very large proportion is at present devoted directly or indirectly to the building of dwelling houses, and has to a great extent helped to maintain the satisfactory building quota during the past year.

GROWTH OF SAVINGS

	Deposits				Monthly increase			
	Total		Per capita		Total		Per capita	
	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts
	in millions of M. or RM respectively		in M. or RM respectively		in millions of M. or RM respectively		in M. or RM respectively	
Position at end of year (1913 [1])	19,689		291.38		84.2		1.25	
(1925 [2])	1,629.1	875.0	26.0	14.0	85.1	18.3	1.4	0.3
(1926	3,090.8	1,119.4	49.0	17.7	121.8	20.4	1.9	0.3
(1927	4,667.0	1,151.6	73.8	18.2	131.3	2.4	2.1	0.04
1928 January	5,044.2	1,218.3	79.4	19.2	377.2	66.7	5.6	1.0
February	5,284.2	1,291.4	83.1	20.3	240.0	73.1	3.7	1.1
March	5,448.7	1,284.5	85.6	20.2	164.5	- 6.9	2.5	- 0.1
April	5,609.9	1,298.4	88.1	20.4	161.2	13.9	2.5	0.2
May	5,747.1	1,359.3	90.2	21.3	137.2	60.9	2.1	0.9
June	5,889.4	1,331.3	92.4	20.9	142.3	- 28.0	2.2	- 0.4
July	6,042.9	1,334.5	94.8	21.0	153.5	3.2	2.4	0.1
August	6,220.7	1,365.0	97.5	21.4	177.8	30.5	2.7	0.4
September	6,371.5	1,336.9	99.1	20.9	150.8	- 28.1	1.6	- 0.5
October	6,545.7	1,344.8	102.5	21.1	174.2	7.9	3.4	0.2
November [3]	6,715.0	.	105.1	.	169.3	.	2.6	.

1) Former territory of the Reich. 2) Present territory of the Reich not including the Saar.

3) Partially estimated.

INCREASE OF DEPOSITS WITH PUBLIC & PRIVATE INSURANCE COMPANIES

I. SOCIAL INSURANCE	1913 M	1924	1925	1926	1927	1928
		In millions of RM				
Total receipts	1,553.7	2,122.7	2,842.6	3,375.5	3,925.9	
Total payments	1,088.8	1,664.8	2,444.6	2,848.7	3,302.0	
Balance	464.9	457.9	398.0	526.8	623.9	
II. PRIVATE LIFE INSURANCE	1913	1924	1925	1926	1927	1928
Capital invested in insurances [1] ..	5.553	128	225	432	696.7	(as at Oct.31,1928) 945.2
Increase			97	207	264.7	248.5 (for 10 months)

1) The figures for capital investments from 1924-28 do not include revalorised stock.

The volume and tendency of the accumulation of capital cannot be directly inferred from an examination of the growth of savings. The regularity of the growth of the latter is however significant of a remarkable desire to save.

On the other hand there has been a certain reserve in the formation of new business enterprises. For some time past the number of liquidations has exceeded that of new formations, whereas the opposite was the case before the war.

NEW FORMATIONS & LIQUIDATIONS OF BUSINESS ENTERPRISES

	Monthly average					Oct. 1928	Nov. 1928
	1913	1927	1928				
			1st quarter	2nd quarter	3rd quarter		
Joint stock companies							
New formations	15	30	27	27	32	32	40
Liquidations ..	9	128	83	95	75	59	56
Surplus ...	+ 6	- 98	- 56	- 68	- 43	- 27	- 16
Limited liability companies							
New formations	326	373	359	323	319	374	374
Liquidations...	145	967	897	802	666	406	522
Surplus ...	+ 181	- 594	- 538	- 479	- 347	- 32	- 148
Other concerns							
New formations	1,127	1,297	1,327	1,245	1,095	1,202	1,058
Liquidations...	1,086	2,086	2,139	2,108	1,611	2,469	1,811
Surplus ...	+ 41	- 789	- 812	- 863	- 516	-1,267	- 753

The number of insolvencies is less than just before the war, but has nevertheless increased during the current year as a result of falling production and sales. At the turn of the year there is a tendency to further slow increase.

INSOLVENCIES

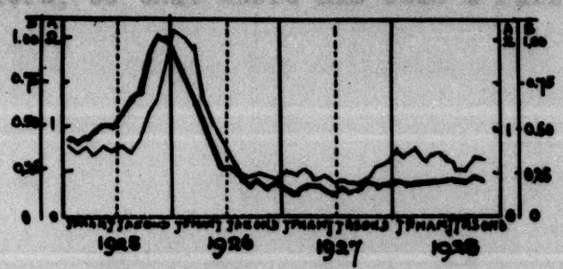
DATE	Bankruptcies No.	Receiverships (Geschäftsaufsichten) or compulsory compositions (Vergleichsverfahren)	Bills protested by banks		Total of bills protested by banks per RM 1,000 of the estimated total bills drawn in the preceding three months
			No.	Total in millions of RM	
		Monthly averages			RM
1913	815	.	.	.	.
1925	932	492	15,120	23.6	6.36
1926	1,023	653	9,991	13.2	3.91
1927	472	109	4,607	6.0	1.71
1928					
January..	766	191	6,604	8.9	2.11
February	699	226	6,558	8.4	2.00
March ...	791	266	7,356	9.4	2.19
April ..,	692	239	7,268	10.6	2.35
May	692	275	7,572	10.3	2.60
June	702	293	7,532	9.8	2.10
July	655	342	7,161	8.8	2.13
August ..	552	360	7,100	8.7	2.05
September	530	257	6,747	8.8	1.99
October..	685	264	7,788	10.2	2.35
November[1]	675	275	7,325	10.0	2.24

1) Provisional figures.

INSOLVENCIES

A = Number of bankruptcies in thousands

B = Total of protested bills in percentages of the total bills drawn in the preceding three months



FOREIGN CAPITAL MARKETS

In view of Germany's great dependence on foreign capital imports, developments in foreign financial centres are of the utmost importance to her. A debtor country is at times more affected by fluctuations on the markets of the countries supplying capital than are the latter themselves. Any tendency to change should therefore receive the special attention of Germany as a debtor country.

The position of the American capital market has been mainly dominated by two factors during the past year, first by a rapid increase in capital exports owing to the large sums of money which were streaming back to certain European countries from which they had been expatriated for fear of currency fluctuations, and secondly by an increased demand for capital at home. Rich as America is in capital and great as is her annual formation of capital, her capacity to export capital is about equal (according to American studies of the U.S. balance of payments) to the surplus of her trade balance. Loans to foreign countries, as gauged from the foreign issues placed in America, must have very considerably exceeded this surplus during the second half of 1927 and the first half of 1928. The movements of the foreign exchange rates and of gold show that America was obliged to draw upon her very large gold reserves to meet the liabilities resulting from these loans. The natural result was that interest rates rose to a figure which hindered capital exports and attracted short-term foreign investments. In the meantime there has been an appreciable fall in foreign loans while the short-term funds of the other markets of the world have been placed at the disposal of New York, so that there has been a falling-off in gold exports.

DEVELOPMENT OF INTEREST RATES IN NEW YORK

	1927		1928											
	Jan.	July	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Day to day money ...	4.07	3.88	4.20	4.30	4.46	5.02	5.59	6.33	5.84	6.89	7.37	7.04	6.79	8.03
Bank acceptances	3.72	3.61	3.42	3.58	3.58	3.89	3.98	4.11	4.41	4.69	4.57	4.56	4.56	4.58
Commercial bills ...	4.25	4.12	3.87	3.93	4.01	4.27	4.52	4.70	5.04	5.37	5.37	5.44	5.42	5.37
Bank discounts ..	4	4	3½ 1)	4 2)	4	4	4½ 3)	4½	5 4)	5	5	5	5	5

1) As from August 5, 1927. 2) As from February 2, 1928.

3) As from May 17, 1928. 4) As from July 12, 1928.

THE MOVEMENTS OF GOLD AND OF THE FOREIGN EXCHANGE RATES IN THE UNITED STATES

	Movement of gold	Foreign exchange rates in percentages of divergence from New York parity		Movement of gold	Foreign exchange rates in percentages of divergence from New York parity
1927:			1928:		
1st Quarter	+ 96.4	- 0.38	1st Quarter	- 75.6	+ 0.09
2nd "	- 40.1	- 0.37	2nd "	- 203.6	+ 0.22
3rd "	- 7.6	- 0.21	3rd "	+ 3.0	- 0.12
4th "	- 202.7	+ 0.17	October	+ 13.4	- 0.23
			November ...	- 19.0	.

The easy conditions of the American capital market in 1927 and the beginning of 1928 led to a marked increase in the amount of American capital investments within the country. The following table illustrates this point.

HOME INVESTMENTS OF CAPITAL IN THE UNITED STATES

Year	Building activity			Index of production of the iron and steel industry 1)	Incompleted orders of United Steel products in millions of dollars	Index of production of building materials industry 1)	Index of goods transport
	Dwelling houses	Industrial buildings	Public bodies				
	Building contracts (in 36 States) in millions of dollars						
1927 Average first half year	218	40	100	111	3.42	107	107
Average second half year	211	42	111	96	3.37	110	100
1928 Average first half year	255	51	107	115	3.99	111	103
Average third quarter	215	63	125	123	3.63	122	104

1) After elimination of seasonal influences.

The favourable harvest and the satisfactory industrial activity of the past year have appreciably increased the amount of capital formed in the United States. In view however of the large amounts which capital investments within the country are likely to absorb out of the current capital formed, no appreciable increase in capital exports is to be expected in the near future.

Great Britain's capacity to export capital has increased in a more satisfactory manner in the past year. According to the calculations of the Board of Trade and British leaders of industry, the favourable balance of the British balance of payments exceeds that of America and shows signs of increasing from year to year. England's long-term loans have not been greater this year than last year; but the short-term loans have probably increased. The claims which they made upon the British market fell mostly within the second half of the year for seasonal reasons. For the same reasons part of this short-term capital is likely to be at the disposal of the British market again shortly for further lending.

GREAT BRITAIN'S BALANCE OF PAYMENTS, EXTERNAL LOANS AND INTEREST RATES

	1913	1925	1926	1927	Jan./Nov. 1928
	in millions of £				
Balance of the British balance of payments..	181	114 [1]	48 [1]	156 [1]	235 [1]
Long-term external loans	197.6	99.5	122.0	153.0	143.0
Bank acceptances London monthly average	4.39	4.13	4.47	4.24	4.14

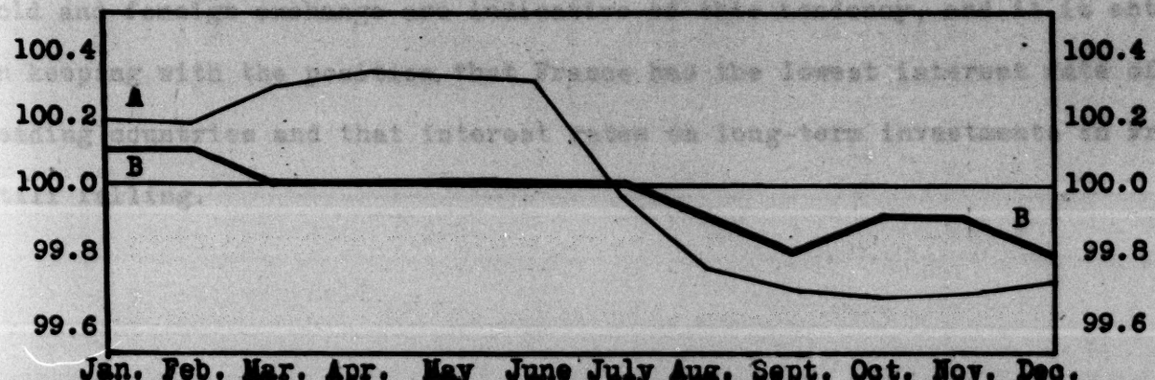
1) Incorporating Keynes' adjustments

MOVEMENTS OF THE POUND STERLING

	1928											
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Dollar exchange in London in percentages of parity ..	100.19	100.18	100.29	100.33	100.32	100.30	99.96	99.75	99.69	99.67	99.68	99.7
Seasonal index figure for the dollar exchange in London (1905 - 1913)...	100.1	100.1	100.0	100.0	100.0	100.0	100.0	99.9	99.8	99.9	99.9	99.8

MOVEMENTS OF THE POUND STERLING IN 1928

A = Dollar exchange in London in percentages of parity
B = Seasonal index figure for the dollar exchange in London (1905-1913)



The year just closed has been a period of reduced activity in respect of capital investments in Great Britain. Imports have fallen off and exports have risen concurrently with rising unemployment. There is no prospect of a change in the near future, so that British capital exports may be expected to remain at the same level or to increase during the next six months.

GREAT BRITAIN'S CAPITAL INVESTMENTS

PERIOD	Imports	Exports	Unemployment including part-time work Unemployed in percentage of insured
	in thousands of £		
1927 Average of first 11 months ...	91.1	59.1	9.7
1928 Average of first 11 months ...	89.5	60.3	10.8

The ability of France to export capital is especially great to-day, greater even than before the war. Her balance of payments is showing a very considerable surplus. This ability to export capital is at the present time increased by the repatriation of capital which had fled the country at an earlier date, and has to a great extent to be re-loaned abroad in a new form. As the French market has not yet made up its mind to undertake foreign capital issues for any large amount, the capital available for export is at present being put into gold and short-term loans. The large holdings of the Banque de France in gold and foreign exchange are indicative of this tendency, and it is entirely in keeping with the position that France has the lowest interest rate of all the leading countries and that interest rates on long-term investments in France are still falling.

GOLD HOLDINGS AND MOVEMENT OF INTEREST RATES IN FRANCE

DATE	Gold and foreign exchange holdings of the Banque de France in millions of francs	Foreign exchange for stock exchange purposes	Bank acceptances in percentages	Average rate of interest on long-term internal investments in percentages
1928				
January			2.81	
February			2.75	
March			2.72	
April			2.62	6.04
May			2.62	5.98
June	55,482	9,777	2.90	5.79
July	57,858	7,819	3.12	5.79
August	60,524	6,080	3.23	5.79
September	62,459	4,041	3.26	5.79
October	62,456	2,853	3.37	5.79
November	63,426	1,689	3.37	5.31
December	64,598	584	.	

YIELD [1] OF FRENCH FIXED INTEREST-BEARING SECURITIES

Categories with a yield [1] of:	represent at the middle of the month the following percentages of the whole			
	April	May	June	November
		1 9 2 8		
less than 4%	3.0	2.9	5.4	2.0
from 4 - 4½%	3.8	3.7	3.2	7.3
" 4½ - 5 %	4.4	5.6	8.8	33.7
" 5 - 5½%	8.8	12.0	12.8	20.3
" 5½ - 6 %	14.3	14.2	18.4	16.5
" 6 - 6½%	33.0	35.9	35.3	13.0
" 6½ - 7 %	27.7	20.6	14.2	4.0
more than 7%	5.0	5.1	1.9	3.2
Average actual interest	6.04	5.98	5.79	5.31

1) i.e. effective yield.

Capital investments in France have increased considerably during the current year. Production has very appreciably risen, concurrently with a rise in imports and a fall in exports. Unemployment has quite disappeared, and France has even had recourse to foreign labour to a large extent. French internal capital issues have increased greatly.

FRANCE'S CAPITAL INVESTMENTS

DATE	Index of production 1913 = 100	Imports	Exports	Unemployment No. of unemployed in receipt of relief Monthly average	French internal capital issues Shares and bonds
		in millions of gold francs			in millions of gold francs
1927 Monthly average	109	895.7	934.0	39,000 (approx.)	125.2
1928					
January	116	824.8	803.4	17,840	132.4
February	119	864.2	884.6	15,294	156.5
March	123	905.0	863.8	10,473	174.0
April	123	920.8	853.2	7,273	143.6
May	125	810.4	797.0	3,222	137.5
June	128	940.2	842.8	1,659	185.2
July	129	809.8	778.2	1,095	231.0
August	130	832.8	834.0	1,010	88.0
September	129	845.8	838.2	563	116.8
October	131	946.2	889.6	453	305.4

Great as have been the demands for capital within the country, they have not substantially affected France's ability to lend money to foreign countries in view of the extent of her capital reserves.

But, speaking generally, during the past year the satisfactory strengthening of the ability of Great Britain and France to export capital has only been of partial assistance to Germany in overcoming her difficulties in the way of

obtaining capital. For all long-term borrowing the decisive word has remained with the American market.

PROSPECTS

The shortage, and consequent heavy price, of capital have impeded Germany's enterprise and industrial activity at the turn of the year 1928/29. The reduced power of absorption of the inland market for means of production cannot be at once made good by increased foreign sales. In a country which can only build up capital out of its own production and has no income from interest at its disposal, while on the other hand it has to effect substantial payments to foreign countries in interest and reparation charges, shortage of capital cannot be made good by curtailing production. Reduced production can only relieve the capital market for so long as capital expenditure is not incurred, and consumption and the accumulation of stocks are reduced pari passu. Capital investment in Germany is a consequence of the increase in the population: it can be held up for a time but not permanently. A permanent cure of the shortage of capital in Germany is only possible if the charges are reduced or the profits on exports increased. The present volume of exports is still far too small for the task with which Germany is faced. The question of Germany's foreign markets has still to be answered.

Technical progress also makes it necessary for the shortage of capital to be counteracted by increased and not decreased production. The rapid advance in the technique of production tends more than ever to the scrapping of productive plant before it is entirely worn out. The most thorough-going exploitation is required - in other words the utmost possible extension of sales to foreign countries must be realised - if the writing off which such scrapping of plant involves is to be counterbalanced. None of the other industrial countries are faced with problems of production and sales of such difficulty and urgency.

They have no unsatisfied requirements of capital expenditure: they are not forced to look to foreign countries to meet their own most urgent needs: on the contrary, with the exception of Italy, they are all countries with surplus capital over and above their wants.

All economic progress in the world is the result of co-operation between the nations and the mutual interchange of services and resources. Every country is influenced by the economic development of others. The last four years bear testimony to the importance of such co-operation for the economic prosperity of the entire world. The political rapprochement which marked this period was a primary condition for the economic progress achieved, in which nearly all the peoples have participated. The excessive burdening of a single country and its extrusion from the general line of development must of necessity endanger this co-operation.

Transl. 6550.

REPARATION BALANCE SHEET

1. Receipts and Payments according to their origin and utilisation.

Receipts (in million RM)	First	Second	Third	Fourth	1928		
	Annuity Year, September to August						
	1924/25	1925/26	1926/27	1927/28	Sept.	Oct.	Nov.
Budgetary contribution	-	250.00	410.00	500.00	104.17	104.17	104.17
Transport tax.....	-	241.80	1) 278.09	3) 285.83	5) 24.17	24.16	24.16
Interest on the German Railway Bonds	200.00	550.00	2) 540.00	4) 660.00	5) 55.00	55.00	55.00
Interest on the Industrial Debentures ...	-	125.00	250.00	300.00			
Receipts from the Dawes Loan	800.00	-	-	-	-	-	-
Differences in exchange and interest received	0.46	3.00	2.76	4.56	0.23	0.09	0.19
Less interest credited to the German Rly ..	-	- 7.41	- 6.48	- 7.09	-	-1.33	-1.06
Total receipts	1,000.46	1,162.39	1,474.37	1,743.30	183.57	182.09	182.46
Brought forward	-	107.01	93.63	185.49	189.49	175.14	190.85
TOTAL	1,000.46	1,269.40	1,568.00	1,928.79	373.06	357.23	373.31
Payments (in million RM)							
1.In foreign currency	271.15	419.48	681.78	943.24	85.10	86.89	112.23
Service of the Loan (cash transfers) ...	77.53	97.20	91.32	90.49	6.00	7.52	7.00
Reparation Recovery Act	180.26	243.08	290.12	350.99	33.09	31.90	37.09
Treaty deliveries	-	5.00	40.20	30.16	3.38	3.26	3.27
Cash transfers	-	65.00	255.11	460.41	42.25	44.03	64.55
Costs of Inter-allied Commission	13.36	9.20	5.03	3.68	0.38	0.18	0.32
Other payments	-	-	-	7.51	-	-	-
2.In German currency..	622.30	756.29	700.74	796.06	112.82	79.49	62.90
Deliveries in kind ...	420.22	655.90	617.00	724.54	107.01	73.79	59.40
Costs of Occupation ..	187.42	86.19	73.52	65.68	5.24	5.10	2.91
Costs of Inter-allied Commission	13.36	9.20	5.04	4.60	0.47	0.50	0.48
Other payments	1.30	5.00	5.18	1.24	0.10	0.10	0.11
Total payments	893.45	1,175.77	1,382.52	1,739.30	197.92	166.38	175.13
Cash surplus	107.01	93.63	185.48	189.49	175.14	190.85	198.18
TOTAL	1,000.46	1,269.40	1,568.00	1,928.79	373.06	357.23	373.31

1) Of which 8.09 and 2) 45.00 million RM were in completion of the Second Annuity.

3) Of which 20 and 4) 55.00 million RM were in completion of the Third Annuity.

5) In completion of the Fourth Annuity.

2. Distribution of Reparation payments among the different countries

a) in millions of RM

	Monthly average				1928			Average September - November 1928
	1924/25	1925/26	1926/27	1927/28	Sept.	Oct.	Nov.	
France	33.05	47.14	53.19	71.88	116.54	79.68	77.75	91.32
Great Britain	15.82	18.89	25.21	30.59	40.03	38.66	46.20	41.63
Italy	5.03	6.42	7.73	9.96	11.90	13.59	13.05	12.85
Belgium	7.79	9.70	5.72	9.05	8.37	9.14	10.13	9.21
Jugo-Slavia .	2.52	3.18	3.86	4.88	5.46	4.54	7.80	5.93
U.S.A.	-	1.24	8.23	7.10	5.58	7.26	7.27	6.70
Rumania	0.62	0.75	0.89	1.28	1.71	1.30	2.97	1.99
Japan	0.32	0.24	0.84	0.76	0.42	1.80	0.65	0.96
Portugal	0.39	0.52	0.68	0.84	0.88	1.02	0.99	0.96
Greece	0.22	0.26	0.35	0.36	0.15	1.11	0.47	0.58
Service of Loan	6.46	8.10	7.61	7.54	6.00	7.52	7.00	6.84
Other payments (including costs of Control) ...	2.24	1.55	0.90	0.70	0.88	0.76	0.85	0.83
TOTAL ...	74.46	97.99	116.21	144.94	197.92	116.38	175.13	179.80

b) in percentages of total amount

	Sept. 1924 to Aug. 1925	Sept. 1925 to Aug. 1926	Sept. 1926 to Aug. 1927	Sept. 1927 to Aug. 1928	1928			Average September - November 1928
					Sept.	Oct.	Nov.	
France	44.39	48.11	46.17	49.59	58.88	47.89	44.39	50.79
Great Britain	21.25	19.28	21.88	21.11	20.22	23.24	26.38	23.16
Italy	6.76	6.55	6.71	6.87	6.01	8.17	7.46	7.15
Belgium	10.46	9.90	4.96	6.24	4.23	5.49	5.78	5.12
Jugo-Slavia..	3.37	3.35	3.35	3.37	2.76	2.73	4.45	3.30
U.S.A.	-	1.26	7.14	4.90	2.82	4.36	4.15	3.73
Rumania	0.83	0.76	0.77	0.88	0.86	0.78	1.70	1.11
Japan	0.43	0.24	0.73	0.52	0.21	1.08	0.37	0.53
Portugal	0.52	0.53	0.59	0.58	0.45	0.61	0.57	0.53
Greece	0.30	0.27	0.31	0.25	0.08	0.67	0.27	0.32
Service of Loan	8.68	8.27	6.61	5.20	3.03	4.52	4.00	3.80
Other payments (incl. costs of Control).	3.01	1.58	0.78	0.49	0.45	0.46	0.48	0.46
TOTAL ..	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

I.I.9.4140 DOC. 304.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 19, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK.

AS AT DECEMBER 31, 1928.

(cf. DOC 302)

The following is a translation of the balance sheet of the Rentenbank as at December 31, 1928, as published in the Reichsanzeiger No.14 of January 17, 1929.

	November 30,1928	December 31,1928
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.00	2,000,000,000.00
Rentenbriefe as on Nov.30,1928 RM.1,199,844,000 as on Dec.31,1928 RM.1,199,844,000		
Loan to the Reich	677,566,298.29	677,566,298.29
Outstanding claim (Rentenbank-Kreditanstalt)	52,974,599.60	46,123,770.35
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	3,662,427.11	10,704,072.67
Real property of the Bank	300,000.00	300,000.00
Miscellaneous assets	3,432,558.98	3,458,793.09

LIABILITIES	November 30,1928	December 31,1928
Capital	2,000,000,000.00	2,000,000,000.00
Rentenbank notes in circulation :		
in public circulation	537,245,302.00	537,245,302.00
under earmark with the Reichsbank	70,082,498.00	70,082,498.00
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.00	156,000.00
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,022,410.33	6,063,080.33
Miscellaneous liabilities	551,459.03	533,469.94

Since the coming into force of the Law concerning the liquidation of Rentenbank notes there have been redeemed Rentenmark notes to the value of

Rentenmarks	275,005,001.90	in virtue of	§ 7a	of the Law				
"	240,000,000.00	"	"	"	§ 7b	"	"	"
"	77,511,198.10	"	"	"	§ 7c	"	"	"
"	880,334,583.00	"	"	"	§ 11	"	"	"
together "	1,472,850,783.00							

Transl. 6621.

I.I.9.411 DOC. 305

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 2, 1929.

ANNUAL REPORT OF THE REICHSBANK FOR THE YEAR 1928.

(see DOC. 285)

Translation of pages 1 to 21 of the German text and Annexes III, IV, VII and VIII.

(For Annexes I, II, V and VI see German issue)

The standstill, which occurred towards the end of 1927 in the general upward movement of German economic activity lasted well into the year under report, thereafter giving place to a gradual slackening of business. The ability of the internal market to absorb production suffered under price increases, which in the case of a number of industries were imposed mainly in order to keep down export prices. In spite of these and other measures designed to encourage exports it was not possible in view of the undiminished protectionist tendencies of other countries to make an end of the adverse trade balance, and to increase exports to anything like the extent which is so urgently required for reasons of reparation policy. Peace in the labour world was on many occasions disturbed by wage disputes, and the even course of economic development was proportionately affected. These wage disputes culminated in November in the lock-out in the iron industry of North-West Germany, which was however ultimately settled as a result of the intervention of the Government. Once more in the past year the reparation payments were made not out of economic

surpluses but out of borrowed money, and the problem becomes increasingly grave to what extent this process of incurring debt can be continued, and how long the German economy can go on supporting credit terms which have become during the year more and more unfavourable to the borrower. The continued high rates of interest overshadow the whole of Germany's economic life. They are one of the principal causes of the difficulties under which German agriculture is labouring. They contributed very largely to the characteristic falling off during the past year in the soundness of credit, as shown by the growing number of suspensions of payments and bill protests with their corollary in the shape of an increased number of extra-judicial compromises and reconstructions even in the case of firms of some size and standing. If the country has been able notwithstanding to display in general a remarkable power of resistance in the face of these depressing influences, that is due mainly to the effect of the foreign credits which have continued to pour into Germany on a large scale, whether in the form of long or short loans.

The gradual contraction of business was slow to find reflection on the money market. After the heavy demands at the end of 1927 the first six weeks of the new year were marked as usual by a reaction. This stage was followed by an increase which brought the rates for money up to a high level only a little less than that of the last quarter of 1927. It was not until October that conditions became easier. Graph 1 shows the movement of the open market rates in comparison with the Reichsbank discount rate. The general movement of the market is shown most clearly in the rate for one month money. Here there was a gradual increase from

February to September with only a slight reaction in the last quarter of the year. The rate for day-to-day money also reflects the general tension of the market, though subject to numerous fluctuations as a result of the influx of short-term foreign money. In the case of trade bills with bank endorsements the turnover was generally slight throughout the year: the rate followed closely the Reichsbank rate. The private discount rate (bankers' bills) varied between March and October from 6½ to 6⅞ per cent: in November it declined, thereafter remaining until the close of the year always above 6 per cent. In order further to develop the official private discount market, the agreements which had long existed between the Reichsbank and a number of leading acceptance houses with regard to the circulation of acceptances and their discount by the Reichsbank, were extended at the suggestion of the latter to various other banking houses of the first standing.

The greater ease on the private discount market enabled the Reichsbank, on behalf of the Reich, to place Treasury bills of the latter on the market from February 1928 onwards. The rediscount of these bills and the use of them as collateral for loans with the Reichsbank in accordance with the amendment to the Reichsbank Law of July 8, 1926, remained within every narrow limits.

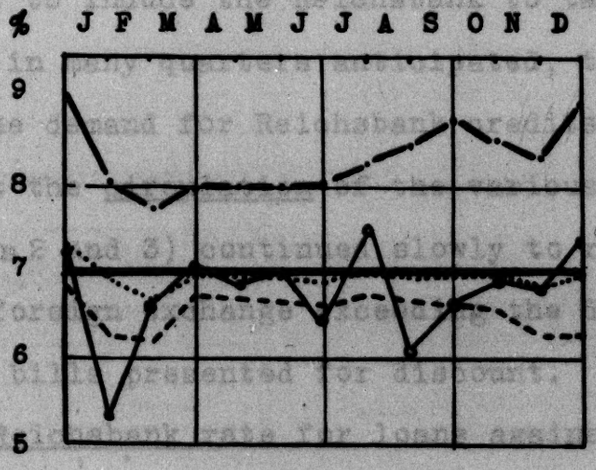
MOUVEMENT DE L'ESCOMPTE DE LA REICHSBANK, DU TAUX DE L'ARGENT A VUE, DE L'ARGENT AU MOIS, DE L'ESCOMPTE HORS-BANQUE ET DES TRAITES SUR MARCHANDISES ENDOSSEES PAR DES BANQUES, A LA BOURSE DE BERLIN

(Moyenne mensuelle)

MOVEMENT OF THE REICHSBANK DISCOUNT RATE AND OF THE RATES FOR DAY-TO-DAY MONEY, ONE MONTH MONEY, PRIVATE DISCOUNTS AND TRADE BILLS WITH BANK ENDORSEMENTS ON THE BERLIN BOURSE

(Monthly averages)

1928

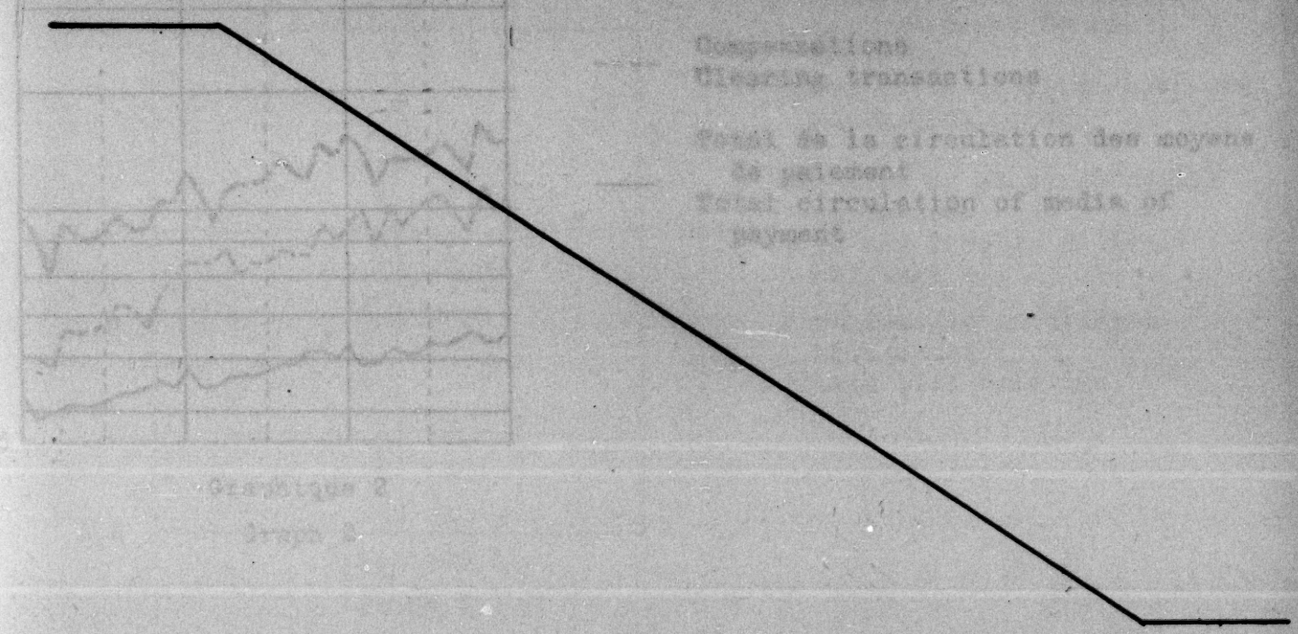


Graphique 1
Graph 1

Argent au mois	—·—	One month money
Traites sur marchandises	·····	Trade bills
Escompte de la Reichsbank	▬▬	Reichsbank discount rate
Escompte hors banque	- - - - -	Private discounts
Argent à vue	•——•	Day-to-day money

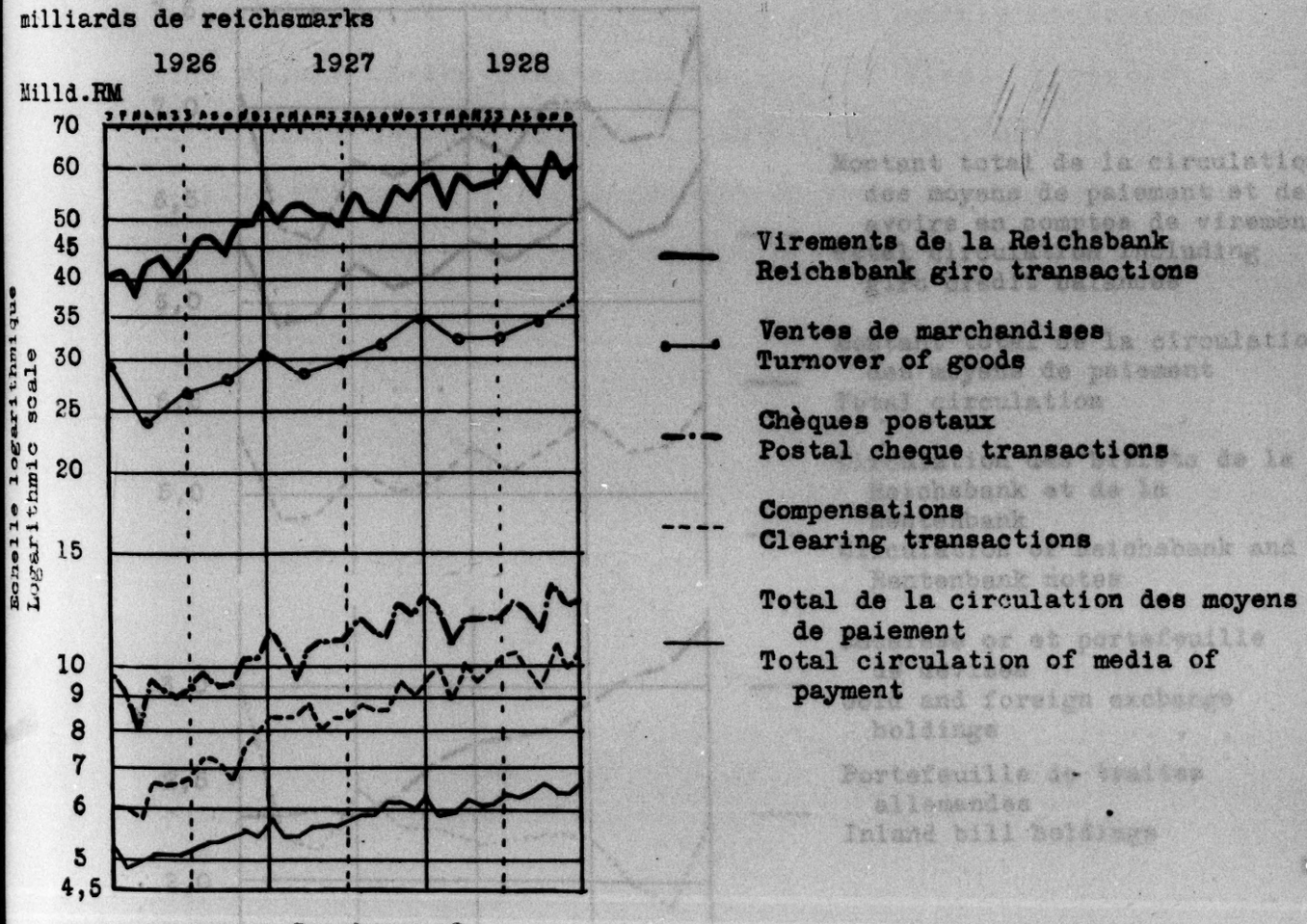
The fact that the Reichsbank discount rate remained unchanged throughout the year at 7 per cent enabled the bank to maintain almost continuously a close connection with the rates of the open market; in which respect the position differed from that prevailing during the greater part of 1927. The short-lived ease of the money market in January and February was very soon superseded by the normal claims of the spring months. The renewed ease after October was not sufficient to induce the Reichsbank to take the decision, which was in many quarters anticipated, to lower the discount rate. The demand for Reichsbank credits was indeed rather less; but the circulation of the various media of payment (see Graphs 2 and 3) continued slowly to rise, the influx of gold and foreign exchange exceeding the decline in the volume of bills presented for discount.

The Reichsbank rate for loans against collateral remained unchanged throughout the year at 8 per cent.



DEVELOPPEMENT DE LA CIRCULATION TOTALE DES MOYENS DE PAIEMENT
(à la fin du mois),
DU TRAFIC DES VIREMENTS DE LA REICHSBANK, DES CHEQUES POSTAUX
ET DES COMPENSATIONS
(chiffres mensuels)
ET DES VENTES DE MARCHANDISES
(chiffres trimestriels d'après l'Institut für Konjunkturforschung)

MOVEMENTS OF THE ENTIRE CIRCULATION OF MEDIA OF PAYMENT
(as at the end of each month)
MOVEMENTS OF THE REICHSBANK GIRO, POSTAL CHEQUE, AND CLEARING
TRANSACTIONS
(monthly turnovers)
AND TURNOVER OF GOODS
(per quarter, according to the calculations of the Institut für
Konjunkturforschung)



Graphique 2

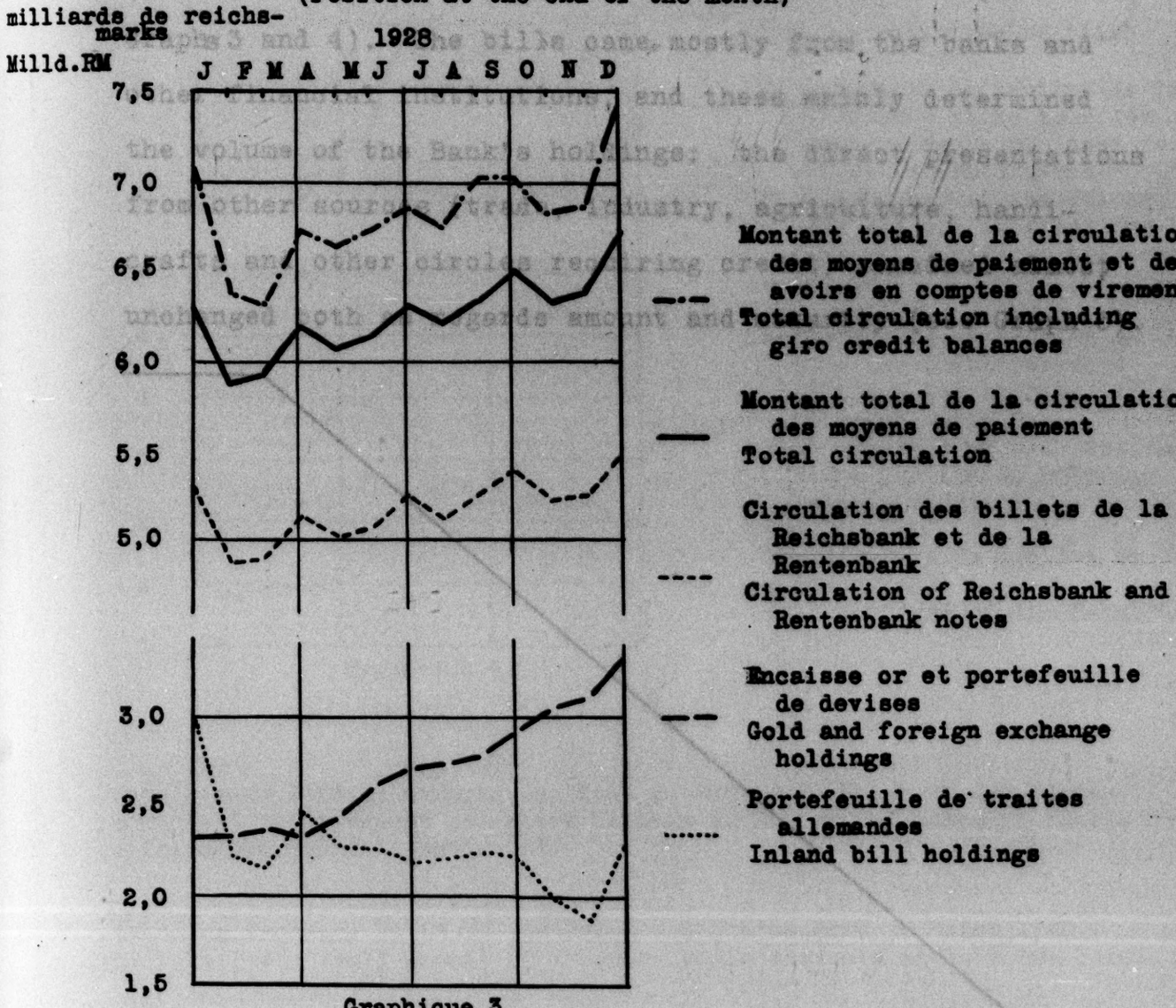
Graph 2

DEVELOPPEMENT DE L'ENCAISSE OR ET DU PORTFEUILLE DE DEVISES ET DU PORTEFEUILLE DE TRAITES ALLEMANDES DE LA REICHSBANK, DE LA CIRCULATION DES BILLETS DE LA REICHSBANK ET DE LA RENTENBANK, DU MONTANT TOTAL DE LA CIRCULATION DES MOYENS DE PAIEMENT ET DU TOTAL DE LA CIRCULATION DES MOYENS DE PAIEMENT ET DES AVOIRS EN COMPTES DE VIREMENT

(situation à la fin du mois)

MOVEMENTS OF THE REICHSBANK'S HOLDINGS OF GOLD AND FOREIGN EXCHANGE TOGETHER WITH THE INLAND BILL HOLDINGS OF THE REICHSBANK, THE CIRCULATION OF REICHSBANK AND RENTENBANK NOTES, THE TOTAL CIRCULATION OF MEDIA OF PAYMENT, AND THE TOTAL CIRCULATION INCLUDING GIRO CREDIT BALANCES

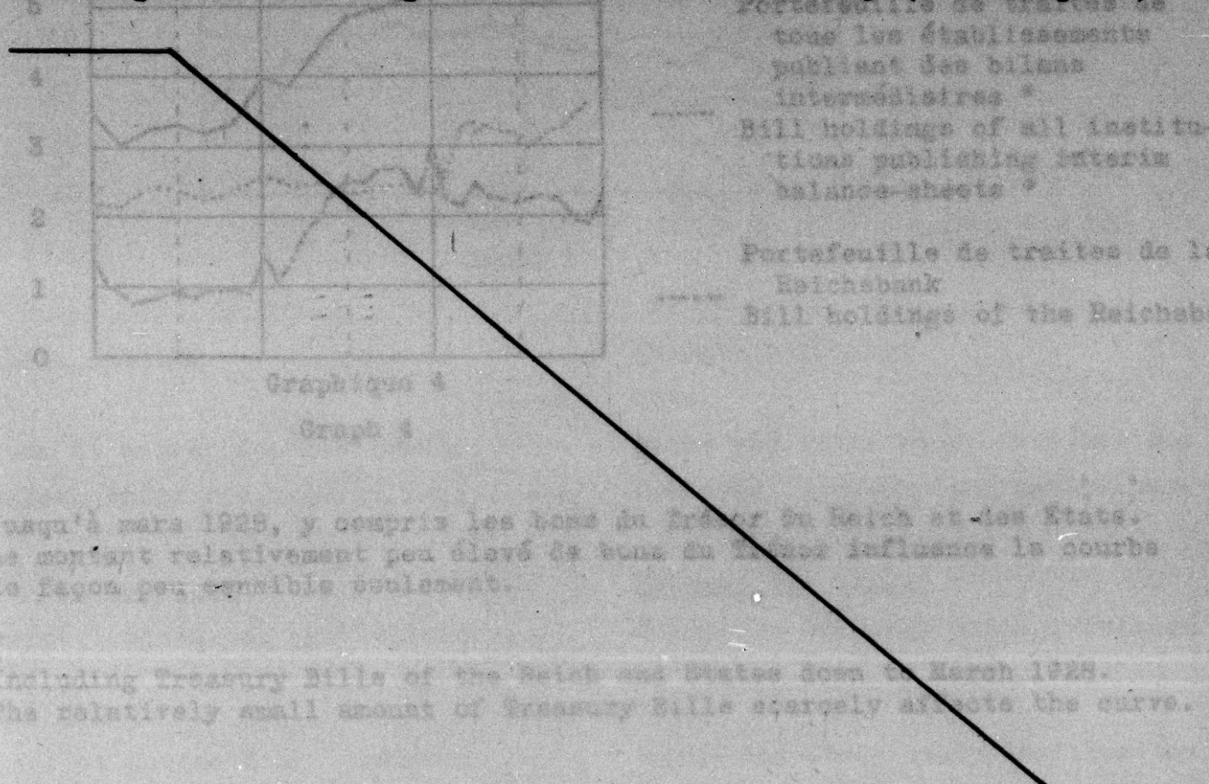
(Position at the end of the month)



Graphique 3

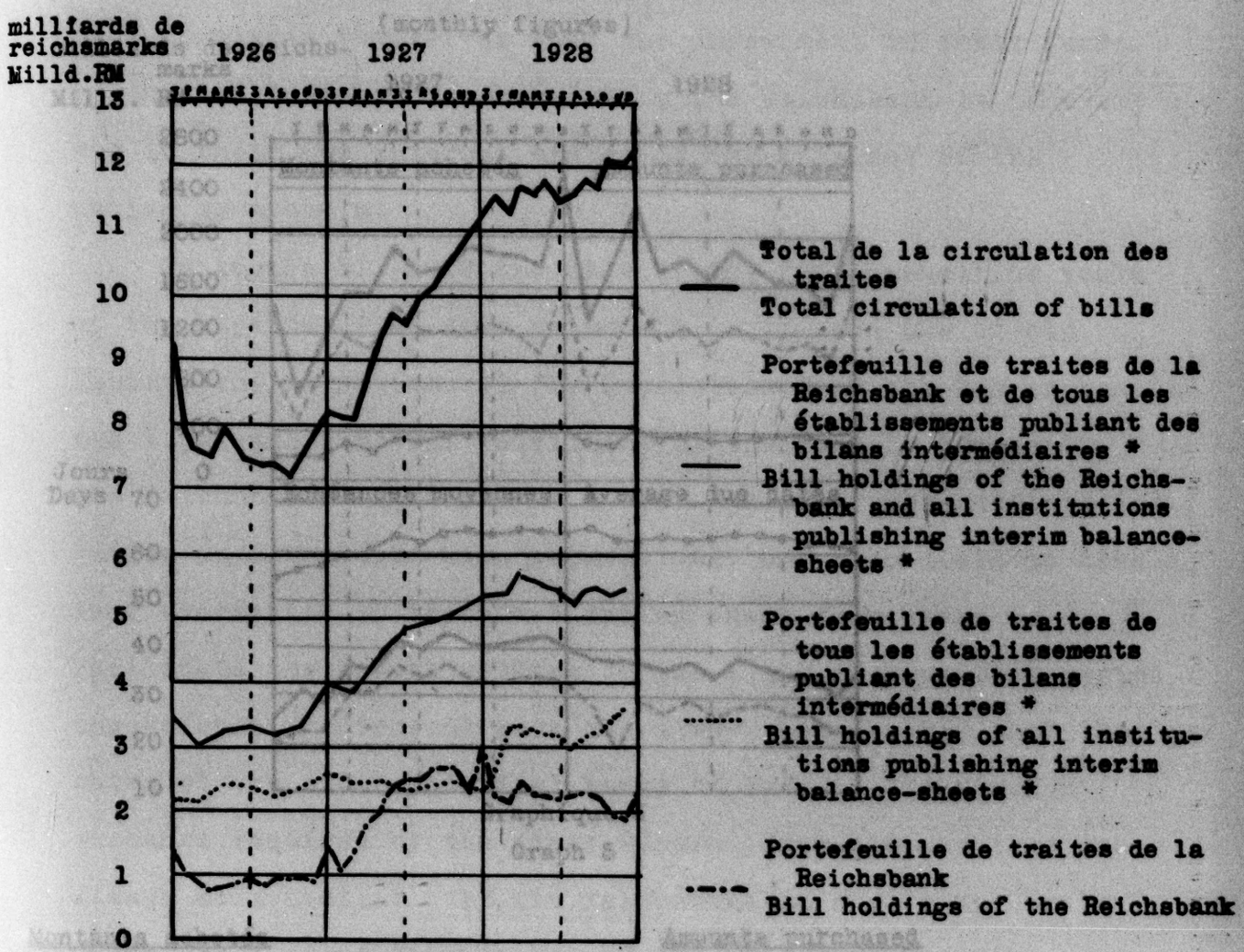
Graph 3

The inland bill business of the Reichsbank was not greatly affected by the easier money conditions at the beginning of the year. The Bank's holding of inland bills remained with comparatively uniform monthly fluctuations at a level averaging RM 2 milliards. It was not until the last quarter of the year that this figure showed a decline, passing in November for a time below 1½ milliards (see Graphs 3 and 4). The bills came mostly from the banks and other financial institutions, and these mainly determined the volume of the Bank's holdings: the direct presentations from other sources (trade, industry, agriculture, handicrafts and other circles requiring credit) remained almost unchanged both as regards amount and maturity (see Graph 5).



CIRCULATION DES TRAITES ET PORTEFEUILLE DE TRAITES DE LA REICHSBANK ET DES ETABLISSEMENTS DE CREDIT

BILLS IN CIRCULATION AND IN THE HANDS OF THE REICHSBANK AND OTHER BANKS AND CREDIT INSTITUTIONS



Graphique 4

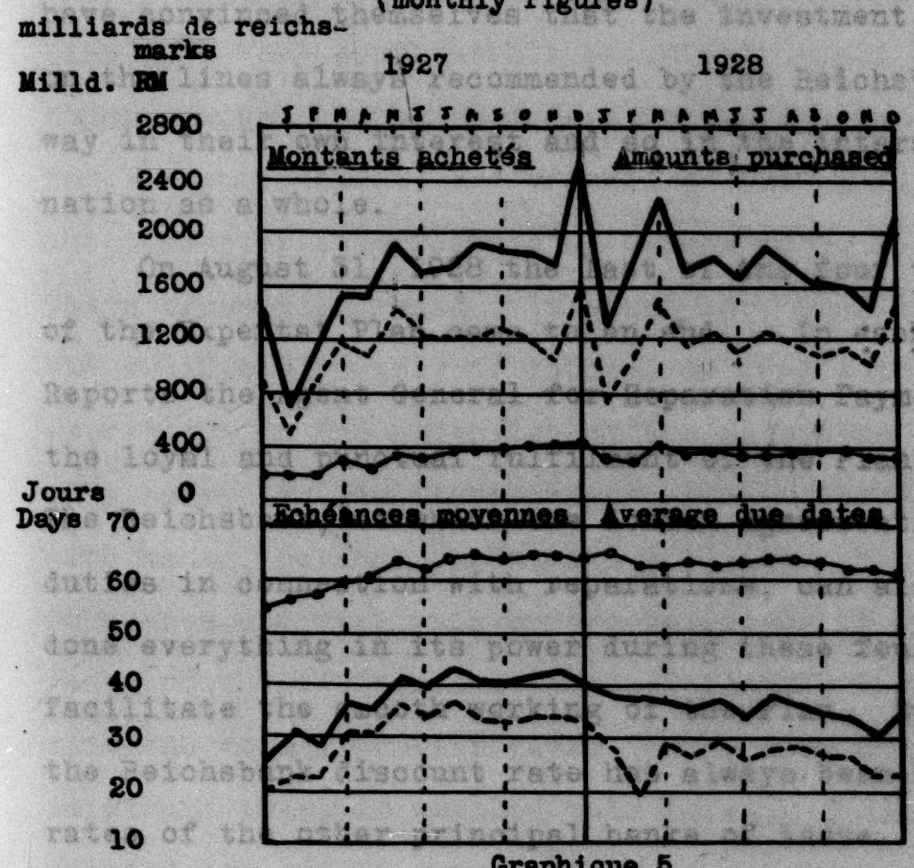
Graph 4

* Jusqu'à mars 1928, y compris les bons du Trésor du Reich et des Etats. Le montant relativement peu élevé de bons du Trésor influence la courbe de façon peu sensible seulement.

* Including Treasury Bills of the Reich and States down to March 1928. The relatively small amount of Treasury Bills scarcely affects the curve.

ACHAT DE TRAITES ALLEMANDES PAR LA REICHSBANK
(chiffres mensuels)

PURCHASE OF INLAND BILLS BY THE REICHSBANK
(monthly figures)



Graphique 5
Graph 5

Montants achetés		Amounts purchased
Total	——	Total
Banques et autres établissements	----	Banks and other money institutions
Commerce, industrie, agriculture, etc.	—·—	Commerce, industry and agriculture etc.
Echéances moyennes		**Average due dates**
Commerce, industrie, agriculture, etc.	—·—	Commerce, industry and agriculture etc.
Total	——	Total
Banques et autres établissements	----	Banks and other money institutions

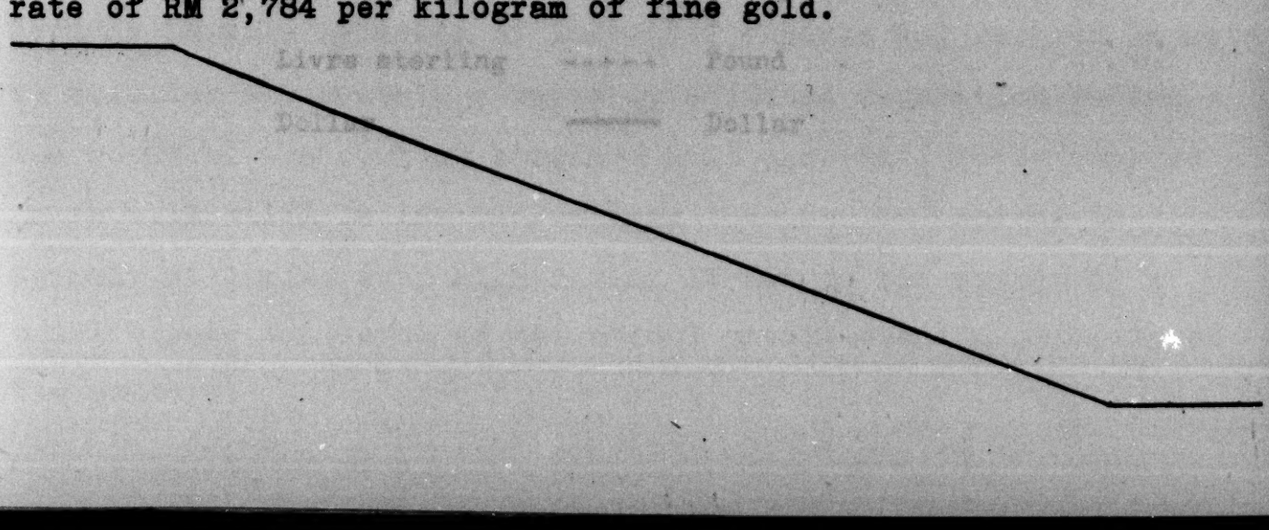
The so-called public funds owing to the decline in their volume are now of less importance than they were as a disturbing element in the Bank's policy. The public departments concerned now manage with considerably smaller reserves, and have convinced themselves that the investment of their funds on the lines always recommended by the Reichsbank is in every way in their own interest and so in the interest of the nation as a whole.

On August 31, 1928 the last of the four transition years of the Experts' Plan came to an end. In each one of his Reports the Agent General for Reparation Payments has emphasised the loyal and punctual fulfilment of the Plan by Germany. The Reichsbank, to which the London Agreement assigned special duties in connection with reparations, can also claim to have done everything in its power during these four years to facilitate the smooth working of the Plan. During this period the Reichsbank discount rate has always been higher than the rates of the other principal banks of issue. The foreign exchange required by the Agent General from time to time was always made available by the Reichsbank in such a way as to avoid any kind of disturbance of the open foreign exchange market. In the matter of general financial policy also the Reichsbank, within the limits assigned to it, has always worked for economy. In particular it has urged by every means in its power the necessity for employing as productively as possible the loans raised abroad. During the transition years about RM 7 milliards have been brought into the country

in the form of long-term external loans. We estimate the amount of the short-term foreign money borrowed by German banks at more than RM 6 milliards, and other branches of enterprise have borrowed short-term foreign money in addition. Finally a very considerable amount of German shares, loans and other values has been acquired in the course of these years by foreign purchasers. The effects of this foreign debt have been the characteristic feature of German economic development during these transition years. It would have been strange indeed if the artificial supply of capital on such a scale had not found expression in the extension of the apparatus of production and of consumption, in higher wages, and in increased deposits with banks, savings banks, and the like: but all these increases are very much more conspicuous if compared with the years of the distressful German inflation than if compared with the normal pre-war years. The more urgent and more important point is whether this foreign indebtedness is calculated now and in future to help produce export surpluses sufficient not merely to enable Germany to meet the interest on what she has borrowed - the total required is estimated to be already in the neighbourhood of RM 1 milliard - but in addition to pay the annuities under the Experts' Plan. Germany has every reason to be grateful to foreign countries for the money they have lent her, and we may add that from the economic standpoint the credits given are fully secured. A country with such economic resources as Germany will always be in a

position to make available such a sum as that represented by these loans - if necessary by the sale of realisable assets. So long as the transfer protection for which provision is made in the Experts' Plan is retained, there is all the less reason to fear any danger to private loans. But the transfer of the annuities under the Experts' Plan has only been possible up till now with the help of the external loans brought into the country. Now that the four trial years are over, it will be necessary authoritatively to consider, in the light of the express presumption of the Experts' Plan that in the long run transfers can only be made from surpluses of the balance of payments, whether the position justifies further transfers from borrowed funds.

The position in regard to gold and foreign exchange was also determined by the foreign credits in the year under report. The dollar and the pound were mostly below par in relation to the reichsmark, while the sterling rate was even on several occasions and for quite considerable periods below the gold import point (see Graph 6). This led to heavy imports of gold which the Reichsbank was obliged to take, since it is legally compelled to convert bar gold into Reichsmarks at the rate of RM 2,784 per kilogram of fine gold.

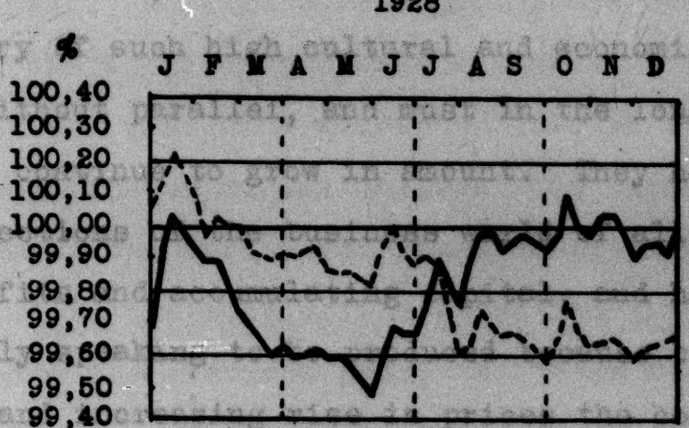


COURS DE LA LIVRE STERLING ET DU DOLLAR A LA BOURSE DE BERLIN

(moyenne hebdomadaire en % du pair)

POUND AND DOLLAR QUOTATIONS ON THE BERLIN BOURSE

(Weekly averages in percentage of parity)



Graphique 6

Graph 6

Livre sterling ----- Pound

Dollar ——— Dollar

The main reason for the persistent influx of foreign capital is ultimately the high level of interest rates in Germany, which is due to the disproportion between the domestic formation of capital and the domestic capital requirements; and this disproportion is accentuated by the charge of RM 2½ milliards per annum for reparation payments. Germany having lost her liquid capital during the inflation had no alternative but to contract credits and loans as fast as she could at home and abroad, if she was to keep her trade going and at the same time fulfil her heavy obligations to the reparation creditors. This led to interest, amortisation and commission charges which for a country of such high cultural and economic development were quite without parallel, and must in the long run prove intolerable if they continue to grow in amount. They have already deprived large sections of the business world of all possibility of earning profits and accumulating capital, and have only been able generally speaking to be produced because concurrently with the marked and increasing rise in prices the constantly renewed influx of foreign capital has always made it possible to cover current liabilities by new borrowing. Until it is possible so to strengthen the producing capacity of the nation, and at the same time so to reduce prices and the costs of production, that Germany is able by means of increased exports and reduced imports to shoulder and sustain a suitably adjusted reparation burden - the worst of the customs barriers will also have to be removed - there will still be the danger that interest on capital in Germany will rise even higher than it now is and remain at a point beyond the level of the normal profit-earning capacity of the country.

Throughout the year there was acute tension on the German capital market. Complete exhaustion of the market was avoided by timely distribution of the demand; but even so the calls on the market exceeded its capacity to such an extent that it was sometimes impossible to place the full amount of even first-class issues. Only mortgage bonds (Pfandbriefe), which are a traditional favourite with the investor, were absorbed with some degree of readiness throughout the year; and that was undoubtedly due very largely to foreign purchases, which also accounted for an equally large part of the other internal issues of the year. Foreign participation was specially marked in the case of the issue of preference shares of the Reichsbahn, and later in the case of a number of interim loans issued by German municipalities on highly unfavourable terms. The unsatisfactory position of the market for fixed interest bearing securities was reflected in the rise of the effective interest charges as compared with the previous year, the terms for such issues being progressively unfavourable. Even first class borrowers had to pay 9 per cent and over for their long-term loans, if the "spread" between the nominal amounts and the sums actually received is taken into account.

The Reichsbank continued its support of the capital market during the year under report in various ways. In the case of loans to banks and credit institutions against Stock Exchange securities for amounts not exceeding RM 50,000 it abolished altogether the restrictions imposed with regard to the period of the loan, so that loans of this kind may now be contracted up to the legal limit of three months. The market for Reich

loans was made easier by the formation - with the encouragement of the Reichsbank - of a bank syndicate, the members of which undertook to assume free of charge to the borrower the guarantee required for the Reichsbank under the Bank Law (§ 21 (3) last paragraph). More important still, the Reichsbank was able considerably to extend the list of securities accepted by it as collateral by including - under the law of December 21, 1927 (Reichsgesetzblatt I, page 492) - a large proportion of the mortgage bonds (Pfandbriefe) and communal bonds issued by credit institutions of public law standing.

During the year under report the Reichsbank endeavoured to introduce further improvements in its giro system. The chief improvement was an arrangement by which since September 8 bank transfers have been written with a carbon copy, an entry being also made on the cheque of the purpose for which the transfer is intended. When these transfers are booked, the carbon copy is transmitted by the Reichsbank through the post direct to the giro customer whose name is given on the transfer, if the latter has not already called for the carbon copy (in the case of local transfers) in the course of the day: the cost of postage is defrayed by the Reichsbank. The advantages of the new arrangement for all giro customers of the Reichsbank are self-evident. The drawing of the cheque and the advice to the recipient take place in one operation, separate letters of advice are no longer necessary, and the customer is saved the cost of postage.

The scope of the Telegraphic giro system has been extended by the acceptance of urgent and so-called "lightning" telegrams.

The telegraphic giro system has also been made available for payments made by customers not having an account with the Bank, as well as for cash paid in for the purpose of being again paid out, and for money payable on bills sent for collection.

In the International giro system reichsmark cheques are now accepted for transfer to the countries adhering to the system, the list of which was extended during the year under report by the inclusion of Ireland. The notification of the purpose for which the transfer is effected is also transmitted free of charge by the Reichsbank.

The improvement and extension of the publication of interim balance sheets, to which reference was made in the previous Report was placed on a legal footing by the decree issued on March 10, 1928 by the Minister for Economic Affairs of the Reich (Reichsanzeiger of March 15, 1928). The first balance sheets on the new model were compiled for the end of March 1928.

The movement towards rationalisation of banking in the direction of the use of numbers in the designation of localities, banks and accounts - the system is already in use in the case of securities - has continued to enjoy the support of the Reichsbank. To this end it has co-operated with the committee appointed for these purposes by the Reichskuratorium für Wirtschaftlichkeit and has taken an active part in the elaboration of uniform designs for cheques and bills. The Reichsbank has adopted the new uniform cheque as a model for its own new cheques to be issued in 1929.

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The total transactions of the Reichsbank in 1928 amounted according to Annex I to :

	1928	1927
Reichsbank Head Office	RM 414,908.6 millions	(RM 361,064 millions)
Reichsbank branches	RM 404,997.4 millions	(RM 368,866 millions)
Total	RM 319,906.0 millions	(RM 729,930 millions)

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erve

The unencumbered gold reserve of the Reichsbank amounted to

		(of which there was deposited abroad
as at December 31, 1927	RM 1,864,643,108.11	RM 81,437,319.52
as at December 31, 1928	RM 2,729,331,720.74	RM 85,626,277.09

On December 31, 1928, this reserve included bullion and foreign gold coin amounting to RM 2,153,360,570.74 (1927: RM 1,300,778,038.11), calculated at the rate of RM 1,392 to the pound of fine gold.

The development of the reserve during the year under report will be seen in Annex VII. Altogether in 1928 RM 868.2 millions worth of gold was purchased abroad or taken in exchange for foreign exchange holdings; RM 1.4 millions of foreign gold coin and bullion was received in the course of transactions in Germany. Further RM 2.1 millions worth of gold coin of the Reich of previous coinages reached the coffers of the Bank through the ordinary channels of payment transactions. RM 7.0 millions were released in Germany for industrial purposes, etc. There was thus an increase in the total gold reserve of the Bank of RM 864.7 millions.

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The foreign exchange employed according to § 28 of the Bank Law to augment the gold cover for the bank notes in circulation amounted

on December 31, 1927, to RM 281,986,000

on December 31, 1928, to RM 155,273,000.

lver lding

The Reichsbank had the following quantities of silver coins and silver bars which had been withdrawn from circulation:

		1927:
as at January 1, 1928	RM 809,152.20	
purchased during the year	RM 6,228,911.09	(RM 6,368,525.16)
Total	RM 7,038,063.29	
sold during the year	RM 6,891,164.33	(RM 6,234,653.64)
so that the holding of the Bank on December 31, 1928, amounted to	RM 146,898.96	

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At the end of the year under report the coffers of the Reichsbank contained RM 81,766,439.40 of small coins as against RM 42,727,176.67 at the end of the preceding year; the highest figure was reached on August 23, 1928, with RM 111,271,000, and the lowest on April 5, 1928, with RM 51,008,000.

The cash holdings of the Bank in small coin have increased during the period under report as a result of the increased circulation of silver coins; the silver coins served for the greater part to replace the Rentenbank notes for Rt.M.5- which are being withdrawn in increasing numbers. The calling in of the aluminium-bronze 50-Reichspfennig pieces on the part of the Finance Administration of the Reich was continued during the period under report.

The number of small coins in circulation at the end of the year (exclusive of the Reichsbank holding) was RM 967.4 millions (end of 1927: RM 835.3 millions). This figure included RM 2.8 millions (1927: RM 4.1 millions), still held at the Mint Offices. For the rest, the small coin in circulation consisted of the following denominations:

There were in circulation:

	on December 31, 1928;	on December 31, 1927:
Silver coins		
RM 5.--	RM 219.1 millions	(RM 68.8 millions)
RM 3.--	RM 148.5 "	(RM 151.8 ")
RM 2.--	RM 185.8 "	(RM 193.3 ")
RM 1.--	RM 255.1 "	(RM 274.1 ")
Pfennig coins		
Rpf. 50 (aluminium-bronze)	RM 24.4 millions	(RM 49.0 millions)
Rpf. 50 (nickel)	RM 42.8 "	(RM 11.7 ")
Rpf. 10	RM 56.5 "	(RM 54.2 ")
Rpf. 5	RM 26.4 "	(RM 23.2 ")
Rpf. 2	RM 2.6 "	(RM 2.1 ")
Rpf. 1	RM 3.4 "	(RM 3.0 ")
	RM 964.6 millions	(RM 831.2 millions)

The holding of Rentenbank notes amounted

as at December 31, 1927, to RM 23,635,721

as at December 31, 1928, to RM 77,471,316.

The figure as at the end of the year contains RM 93,248 of Rentenbank notes not eligible for circulation, which are held separately from the cash holdings; further it includes RM 70,082,498 of Rentenbank notes placed under earmark which the

Reichsbank has withdrawn from circulation since January 1928, to the amount admissible under its claim on the Rentenbank postponed by agreement until the final liquidation of Rentenmark notes in circulation (see the Annual Report of the Bank for 1927 page 14). Both items are shown in the balance-sheet under "Miscellaneous assets" (14 e and/or c).

Rentenbank notes for a value of RM 529.9 millions (end of 1927: RM 716.2 millions) were in circulation at the close of the year, exclusive of the notes held at the Reichsbank. From information before us the notes in circulation may be distributed as follows:

Rentenbank notes for	on December 31,1928	on December 31,1927
Rentenmarks 1,000	RM 2.9 millions	(RM 5.8 millions)
" 500	RM 1.5 "	(RM 2.4 ")
" 100	RM 95.3 "	(RM 90.8 ")
" 50	RM 201.1 "	(RM 161.1 ")
" 10	RM 148.6 "	(RM 230,1 ")
" 5	RM 75.1 "	(RM 220.5 ")
" 2	RM 1.5 "	(RM 1.5 ")
Rentenmark 1	RM 3.9 "	(RM 4.0 ")
	RM 529.9 millions	(RM 716.2 millions)

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Treasury bills issued by the Reich, which the Bank was authorised to purchase under the Law of July 8, 1926, modifying the Bank Law (Reichsgesetzblatt II, page 355), were received at the end of April 1928 to the amount of RM 1,000,000.

Until and including December 31, 1928:

there were purchased	RM 139,420,000
there were redeemed during the same period	RM 88,330,000
leaving holdings as at December 31, 1928, amounting to	RM 51,090,000

The highest figure was reached on December 7 with RM 57,340,000.

According to the weekly returns of the Bank (see Annex VII) the other bill and cheque holdings were as follows:

as at December 31, 1927 RM 3,128,656,000

as at December 31, 1928 RM 2,627,357,000

The proportion to the total holding of bills with two signatures eligible for discount in conformity with Article 21, figure 2, of the Bank Law was 13.4 per cent on December 31, 1928, as against 12.7 per cent at the end of the previous year.

The following detailed information may be given with regard to the movements of the bill holdings:

Inland bills and cheques (not including those taken over by the Reichsbank from the Golddiskontbank) were purchased during 1928 as follows:

3,443,373	town bills and cheques (Platzwechsel und -schecks)	for RM 7,044,462,994.06
(3,237,506 in 1927)		(6,402,602,961.40 in 1927)
10,629,253	country bills and cheques for collection (Versand- und Einzugswechsel und -schecks)	for RM 14,013,823,460.61
(9,830,874 in 1927)		(13,772,228,107.74 in 1927)
Total 14,072,626		RM 21,058,286,454.67

The following were withdrawn:

3,529,980 town bills and cheques for	RM 7,221,914,646.11	(3,003,441 in 1927 (5,684,368,502.22 in 1927)
10,808,919 country bills and cheques for collection for	RM 14,544,344,791.92	(9,201,041 in 1927) (12,869,973,356.45 in 1927)
Total 14,338,899	RM 21,766,259,438.03	

279,815 cheques on Germany were purchased for RM 191,553,568.05 (1927: 307,088 cheques for RM 201,506,785.25).

On December 31, 1928, the holdings of inland bills and cheques amounted to RM 2,261,151,101.72 (end of 1927: RM 2,969,124,085.08).

Of this amount there fall due:

(in millions of RM)		(in millions of RM)	
Jan. 1-15, 1929	977.1 = 43 %	(Jan. 1-15, 1928	964.7 = 33%)
Jan.16-31, 1929	402.7 = 18 %	(Jan.16-31, 1928	568.7 = 19%)
February, 1929	599.6 = 27 %	(February, 1928	980.9 = 33%)
March, 1929	281.8 = 12 %	(March, 1928	454.8 = 15%)

The average amount of town bills purchased was RM 2,050 (1927: RM 1,983), and that of the town cheques RM 778 (1927: RM 727). The average maturity of the town bills purchased was 48 days (1927: 49 days). The number of town bills of RM 100 and smaller amounts purchased was 267,983 (1927: 226,707).

The average amount of country bills purchased was RM 1,335 (1927: RM 1,424), and that of country cheques RM 680 (1927: RM 653). The average maturity of the country bills purchased was 29 days (1927: 33 days). The number of country bills of RM 100 and smaller amounts purchased was 1,425,614 (1927: 1,300,515).

Bills taken over from the Golddiskontbank

Of the bills taken over from the Golddiskontbank the holdings of the Reichsbank on January 1, 1927, amounted to RM 17,926,422.12 1927:

and purchases amounted to RM 59,885,157.20 (RM 197,328,769.07)

RM 77,811,579.32

of which there were negotiated . . . . . RM 67,104,244.87 (RM 243,664,721.45)

so that the Reichsbank holdings of Golddiskontbank bills at December 31,1928, amounted in value to . . RM 10,707,334.45

Foreign bills and cheques

The holdings of foreign bills and cheques amounted on January 1, 1928, to:

17,442 RM 155,281,196.36 1927:

583,837 were bought RM 3,491,190,635.94 (RM 2,259,636,425.59)

601,279 RM 3,646,471,832.30

and 578,703 negotiated RM 3,275,270,841.50 (RM 2,528,940,273.58)

so that 22,576 of a value of RM 371,200,990.80

remained on December 31, 1928.

Total purchases of bills and cheques

The total for all bills and cheques purchased during the year under report is as follows:

Inland bills and cheques	RM 21,058,286,454.67	
Foreign bills and cheques	RM 3,491,190,635.94	
Golddiskontbank bills taken over by the Reichsbank	RM 59,885,157.20	1927:
	RM 24,609,362,247.81	(RM 22,631,796,263.80)
Treasury bills of the Reich	RM 139,420,000.--	
Total	RM 24,748,782,247.81	

The profits on these bills and cheques amounted to RM 138,292,563.28 (1927: RM 130,708,614.96).

land ills d eques t re- emed en due

The following bills and cheques were returned to the sellers owing to failure to redeem, or were settled by intervention: 480,987 (1927: 354,371) for RM 160,985,041 (1927: RM 114,096,265). These bills and cheques represent the following percentages of the total number presented for collection: of the number: 3.34 per cent (1927: 2.89 per cent); of the value: 0.74 per cent (1927: 0.61 per cent). The documents returned to the sellers or regulated by intervention included 854 cheques (1927: 822) for RM 463,844 (1927: RM 399,119).

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Customers' drafts and cheques for collection on banking and other places numbered 241,433 for a value of RM 1,760,939,943.15 (1927: 239,839 for a value of RM 1,901,299,372.69).

The average amount of the drafts and cheques in question worked out at RM 7,294 (1927: RM 7,927).

lection epara- vouch- nd ts

The collection by the Reichsbank of reparation vouchers and drafts issued for deliveries in kind and redeemable by the Agent General for Reparation Payments, and the remission of the proceeds to the persons presenting them, were effected as follows:

1928: 221 reparation vouchers for RM 90,344,078.80
16,666 reparation drafts for . RM 689,002,656.20
16,887 reparation payments for RM 779,346,735.--

as against

1927: 333 reparation vouchers for RM 98,222,960.20
13,635 reparation drafts for . RM 637,954,578.59
13,968 reparation payments for RM 736,177,538.79

The collection and remission of the amounts is effected free of charge.

The rise in the total amount is due to the increase of the reparation annuity with the resulting higher sums available for deliveries in kind; the number of drafts has increased owing to the fact that the circle of German firms engaged in such deliveries has been extended.

The amounts for meeting other obligations under the Dawes Plan (for example, the service of the External Loan, payments in respect of the Reparation Recovery Acts, cash transfers, etc.), for which the Agent General for Reparation Payments purchased the required foreign exchange through the medium of the Reichsbank, are not included in the above amounts.

The following loans against collateral (Lombards) are recorded:

On January 1, 1928	RM	78,319,700	1927:
116,754 new loans	RM	6,345,216,200	(RM 5,926,278,600)
	RM	6,423,535,900	
96,584 loans repaid	RM	6,247,466,500	(RM 5,932,037,200)
leaving on December 31,1928	RM	176,069,400	

The number of collateral certificates (Pfandscheine) was:

		1927:
On January 1, 1928 . . .	2,531 certificates	
to which were added . .	1,400 "	(1,465)
making	3,931 certificates	
of which there were paid off	1,000 "	(724)
leaving as at December 31, 1928	2,931 certificates.	

Profits on loan transactions amounted to RM 3,907,054.42 (1927: RM 3,280,842.49).

The fluctuations in the demand for loans may be seen from Annex VII.

The collateral in the case of loans outstanding at the end of the year was as follows:

		1927:
Gold and silver	RM 800	(RM 600)
Securities	RM 30,358,100	(RM 36,259,600)
Bills	RM 91,171,100	(RM 34,815,000)
Goods	RM 2,895,800	(RM 2,819,300)
Long-term bonds of the Reich	RM 18,909,000	(RM 4,425,200)
Treasury bills of the Reich	RM 32,734,600	(RM -)

The balance-sheet of December 31, 1928, shows RM 8,469,191.27 of claims fallen due but unpaid (end of 1927: RM 9,993,764.81).

The Bank rates of interest during 1928 remained unchanged, viz:

7 per cent for discounts
8 per cent for loans against collateral

as against 5.828 per cent for discounts and 7.242 per cent for loans against collateral on an average during 1927.

ities by sbank

The Bank's own holdings of securities amounted on December 31, 1928 to RM 93,349,125.97 (as compared with RM 94,564,598.56 at the end of 1927).

Profits on the same were RM 1,049,766.51.

ac- in ction capi- ssues

During the period under report the German Railway Company issued GM 225 millions worth of preference shares, known as Series V, in order to obtain funds to develop its productive plant. As in the case of Series IV, the Reichsbank in its capacity of Trustee assumed the administration and custody of the preference shares Series V and issued certificates marked Group II made out to bearer. The German Railway Company retained GM 25 millions of the total amount of the Group II certificates for its own requirements. The remaining GM 200 millions were presented for public subscription in February 1928 by a banking consortium led by the Reichsbank. The Reichsbank profited to the extent of RM 53,863.27 from its participation in this transaction. During the year under report the Reichsbank introduced the Group II certificates to the Berlin stock exchange and to a number of provincial stock exchanges for quotation side by side with the Group I certificates issued by the Reichsbank against the preference shares Series IV of the German Railway Company.

At the request of the Land Banks (Landschaften) of the provinces of Silesia, East Prussia, Saxony and Pomerania, and of

the Zentral-Landschaft für die Preussischen Staaten, the Reichsbank at the end of 1928 offered to exchange the old revalorisable mortgage bonds (Pfandbriefe) of the Land Banks for "liquidation mortgage bonds". The head office of the Reichsbank and the branch offices are acting as conversion offices in this transaction, which had not been completed at the close of the year under report. The Reichsbank continued to be occupied with the liquidation of Reich loans during 1928, more especially with the issue of the new bonds.

The credit balances with correspondents of the Bank were:

On January 1, 1928 . .	RM	315,822,906.15	1927:
Remittances	RM	6,855,306,069.10	(RM 6,072,959,762.08)
	RM	7,171,128,975.25	
of which there were collected	RM	7,015,347,385.92	(RM 6,294,131,045.15)
leaving on December 31, 1928	RM	155,781,589.33	

The turnover in business done with correspondents continued to represent the greater part of the foreign exchange transactions of the Bank shown in Annex I.

At the close of the year the Reichsbank held foreign bank notes to the value of RM 1,261,644.89, as compared with RM 916,757.62 at the beginning of the year.

The turnover of foreign notes (see Annex I) totals RM 498.6 millions (as compared with RM 422 millions in 1927). It

was mostly in respect of francs received and issued in the Reichsbank branch offices in the Saar.

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The claim of the Reichsbank on the Reich under the agreement between the two (see Report for 1924, page 12 German text) has been reduced by the repayment of the annual amount to sinking fund, and is shown in the balance-sheet as RM 118,083,460.86 (1927: RM 127,252,970.86).

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The claim of the Reichsbank against the Rentenbank under § 11, 4 of the Rentenbank Liquidation Law (Reichsgesetzblatt 1924, II page 252), which was postponed under an agreement concluded between the Reich, the Rentenbank and the Reichsbank until such time as the transfers to the sinking fund were completed, is entered in the balance-sheet for the same amount as before, i.e. RM 70,082,498.29.

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According to the weekly returns, the circulation of Reichsbank notes was:

on December 31, 1927 . . . RM 4,564,047,000

on December 31, 1928 . . . RM 4,930,069,000

The highest figure reached was that at the end of the year, the lowest figure being RM 3,652,870,000 on February 23, 1928; RM 4,234,661,000 were on an average in circulation during the period under report. The movements of the circulation from week to week are shown in Annex VII.

An analysis of the note circulation according to the various denominations is contained in Annex II.

The following damaged notes were withdrawn from circulation and destroyed during the year under report: 102.3 million notes to the value of RM 1,803.5 millions (1927: 38.9 million notes to the value of RM 631.8 millions), for the following note values:

Bank notes			1927:
RM 1,000 . . .	RM 59.0 millions	(RM 24.0	millions)
RM 100 . . .	RM 197.9 "	(RM 50.8	")
RM 50 . . .	RM 317.5 "	(RM 50.6	")
RM 20 . . .	RM 579.7 "	(RM 266.3	")
RM 10 . . .	RM 649.4 "	(RM 240.1	")

135.4 million new notes were printed to the value of RM 2,538.1 millions (1927: 35.6 million notes to the value of RM 1,220.6 millions).

The new notes printed were for the following note values:

Bank notes			1927:
RM 1,000 . . .	RM 90.0 millions	(RM -	millions)
RM 100 . . .	RM 311.4 "	(RM 303.1	")
RM 50 . . .	RM 248.2 "	(RM 444.0	")
RM 20 . . .	RM 1,233.2 "	(RM 473.5	")
RM 10 . . .	RM 655.3 "	(RM -	")

The cost of printing amounted to RM 5,996,025 as compared with RM 1,626,525.70 in 1927.

The note cover prescribed in § 28 of the Bank Law was: on December 31, 1927: 40.9 % (gold) and 47.0 % (gold and foreign exchange) on December 31, 1928: 55.4 % (gold) and 58.5 % (gold and foreign exchange). The lowest point reached by the percentages of the note cover was on March 31, 1928, when they were 42.8 % and 47 % respectively; the highest point was reached on November 23, 1928, in the case of the gold cover (63.6 %) and on November 23, 1928, in the case of the gold and foreign exchange cover (68.4 %).

The growth in the circulation of all media of payment in Germany during the year under report is shown by the following table. There were in circulation:

(Amounts in millions of RM)

At the end of the month	Reichsbank notes	Notes of private banks	Rentenbank notes	Small coin	Total
1927 December	4,564.0	188.7	716.2	835.3	6,304.2
1928 January	4,251.2	183.8	625.7	823.8	5,884.5
February	4,268.2	185.4	630.4	841.3	5,925.3
March	4,513.2	185.8	616.0	869.5	6,184.5
April	4,409.5	185.2	609.3	872.2	6,076.2
May	4,486.9	185.0	586.2	883.3	6,141.4
June	4,674.2	188.8	578.3	888.9	6,330.2
July	4,569.3	185.3	560.5	894.7	6,209.8
August	4,673.0	186.6	570.1	909.3	6,339.0
September	4,830.2	188.1	570.3	934.1	6,522.7
October	4,672.0	188.6	542.7	940.1	6,343.4
November	4,724.0	187.7	524.3	949.5	6,385.5
December	4,930.1	187.3	529.9	967.4	6,614.7

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For the growth in the Reichsbank's holding of deposits (Fremdegelder) see the item "Other day to day liabilities" indicated in the Table of Weekly Returns forming Annex VII.

The giro turnover (incomings and outgoings), details of which are given below, was distributed as follows over the individual calendar months of the year under report:

	Giro turnover (in millions of RM)		Working day average of the giro turnover expressed in percentages of the annual average which is taken as 100	
	1928	1927	1928	1927
January . .	58,095	49,887	98.4	96.8
February. .	51,988	52,529	91.6	106.2
March . . .	57,955	52,696	94.6	94.7
April . . .	55,955	51,048	112.1	107.6
May	56,656	50,627	99.8	98.2
June. . . .	57,315	48,727	97.1	94.5
July. . . .	61,982	54,978	105.0	102.6
August. . .	58,021	51,457	94.7	92.5
September .	54,783	50,079	96.5	93.4
October . .	63,603	56,039	103.8	104.5
November. .	57,543	53,931	97.5	104.6
December. .	60,830	56,795	111.6	105.9
Average .	57,894	52,399	100.0	100.0

The total giro credit balances on January 1, 1928 were . . . . . RM 615,503,960.46

The incomings on giro account during 1928 were as follows:

Cash payments . .	RM 26,318,975,657.39	
Customer accounts	RM 99,378,885,813.19	
Local transfers .	RM 144,823,677,391.66	
Transfers from branch offices	RM 76,865,529,992.33	RM 347,387,068,854.57 (RM 314,462,204,806.57 in 1927)
	Total	RM 348,002,572,815.03

The outgoings were:

Cash payments . .	RM 29,021,204,035.45	
Customer accounts	RM 99,084,108,486.25	
Local transfers .	RM 144,823,677,391.66	
Transfers to branch offices	RM 74,410,272,436.25	RM 347,339,262,349.61 (RM 314,330,948,938.43 in 1927)
	leaving	RM 663,310,465.42

as the balance outstanding on December 31, 1928.

The following were the percentages of the total:

		1927:
Cash incomings and outgoings . . .	7.9%	(7.9%)
Customer accounts	28.6%	(28.0%)
Local transfers	41.7%	(42.5%)
Transfers from and to branch offices	21.8%	(21.6%)
	100.0%	100.0%

Thus 92.1 per cent of the total giro business of the year 1928 was effected without cash changing hands (1927: also 92.1 per cent).

In the total giro business of the year 1928, the following were the numbers of:

			1927:	
	Cr.	Dr.	Cr.	Dr.
Cash payments	1,875,925	1,871,391	(1,794,049)	(1,871,605)
Customer accounts . . .	3,445,594	3,907,475	(3,374,342)	(3,546,531)
Local transfers	7,325,494	5,157,739	(7,379,826)	(5,271,983)
Transfers from and to branch offices . .	7,021,198	6,685,249	(6,702,136)	(6,361,588)
Total	19,668,211	17,621,854	(19,250,353)	(17,051,707)

The average amount of each of the following items was:

		1927:
Cash incomings	RM 14,030	(RM 13,173)
Cash outgoings	RM 15,508	(RM 14,017)
Credits to account	RM 28,842	(RM 26,220)
Debits to account	RM 25,358	(RM 24,752)
Local transfer credits . .	RM 19,770	(RM 18,087)
Distance transfer credits	RM 10,948	(RM 10,276)

The cover to be held under § 35 of the Bank Law for day to day liabilities amounted on December 31, 1927 to 105.6 per cent, on December 31, 1928 to 102.5 per cent, and on an average for the year 1928 to 93.1 per cent (1927: 115.2 per cent).

Telegraphic giro transfers were effected in Germany during the year under report as follows:

			1927:	
	Number	RM	Number	RM
Head office	29,796	5,664,554,651.73	(20,342	4,080,498,988.33)
Branch offices . .	61,428	5,326,711,179.27	(42,087	3,628,332,332.93)
Total	91,224	10,991,265,831.--	(62,429	7,708,831,321.26)

This is equivalent to 14.8 per cent (1927: 11.5 per cent) of the distance transfers effected on behalf of customers.

Giro transfers to foreign countries were transmitted during the year under report as follows:

11,873 to a value of approximately RM 46,000,000.

Giro transfers from foreign countries were effected as follows:

4,115 to a value of approximately RM 32,000,000.

Receipts and payments in giro business for the account of the Reich and the Federal States amounted to:

		1927:
For the Reich	RM 145,964,831,421.35	(RM 125,982,767,518.98)
For the Federal States .	RM 46,448,828,160.45	(RM 49,483,123,002.81)
Total	RM 192,413,659,581.80	(RM 175,465,890,521.79)

The credit balance of these accounts amounted on December 31, 1928 to RM 183,068,692.91 (at the end of 1927: RM 229,135,858.09).

In 1928 the following amounts were received from non-holders of accounts on behalf of giro customers in other towns:

		1927:
In cash	RM 2,444,388,353.06	(RM 2,040,378,117.29)
Plus transfers between giro customers at different bank centres . .	RM 74,410,272,436.25	(RM 66,831,527,511.60)
Total of transfers between various bank centres . .	RM 76,854,660,789.31	(RM 68,871,905,628.89)
Plus balance as at January 1, 1928	RM 163,609,275.35	
making	RM 77,018,270,064.66	
Of this sum there was credited in 1928	RM 76,865,529,992.33	(RM 68,872,095,170.89)
leaving a balance of . .	RM 152,740,072.33	

which is included in item 8 of the Bank's liabilities (see Annex IV, balance-sheet).

The number of giro account holders at the end of the year was:

		1927:
at the Reichsbank Head Office . . .	2,654	(2,691)
at the Reichsbank Branch Offices .	40,974	(41,242)
Total	43,628	(43,933)

Orders to pay on other branches were transmitted to the number of 1,377 totalling RM 18,250,668.73 (1927: RM 15,504,148.65).

Clearing transactions.

The total sums cleared at the 70 Clearing Offices (Abrechnungsstellen) in 1928 amounted to RM 121,004,091,000 (1927: 65 Clearing Offices with RM 97,744,177,500). The number of drafts etc. cleared was 44,655,053 (1927: 39,830,892) and the average amount of each was RM 2,710 (1927: RM 2,454). The number of institutions acting in conjunction with the Clearing Offices (including Reichsbank branches) was 844 at the end of the year (1927: 797).

The cheques presented at the Country Cheque Clearing Office (Scheckaustauschstelle) in Berlin in 1928 amounted to RM 34,853,500 (1927: RM 65,231,700). The number cleared was 109,341 (1927: 280,199) and the average amount of each was RM 319 (1927: RM 233). The number of institutions associated in the Country Cheque Clearing Office at the end of the year was 22 (1927: 21).

During the year under report 7,754,821 town bills and cheques (1927: 5,586,309) were cleared by the Reichsbank Offices in places where there was no Clearing Office, or in places with a Clearing Office but with firms not associated in a Clearing Office, for a value of RM 3,879,369,000 (1927: RM 2,679,706,000).

Rentenmark Sinking Fund.

The Rentenmark Sinking Fund established at the Reichsbank in virtue of § 6 of the Rentenmark Liquidation Law of August 30, 1924, received the annual transfer from the Reich during the year under report of RM 60 millions in satisfaction of the obligations devolving on the Reich under § 7 b of the Law in question. In addition, the share of the Reich under § 7 c

in the profits of the Reichsbank for the year 1927 to a total of RM 5.5 millions (1926: RM 4.2 millions) was also paid into the Fund. The interest payments to the Rentenbank by the owners of land subjected to the agricultural mortgage charge brought in RM 84.2 millions (1927: RM 99.3 millions) in the year under report, of which RM 7.0 millions represent interest in arrears of the previous year; in accordance with § 9 of the above mentioned Law RM 17.2 millions were set aside and placed at the disposal of the Rentenbank-Kreditanstalt (Rentenbank Credit Institution), with the result that the Rentenmark Sinking Fund received RM 67.0 millions (1927: RM 74.3 millions). These sums were devoted in the prescribed manner to the destruction of Rentenbank Notes, so that RM 132.5 millions in all of such notes were redeemed during the year under report (1927: RM 138.5 millions plus the balance of the Rentenbank credits liquidated in virtue of § 11 of the above mentioned Law, i.e. RM 293.4).

posited ecurities

The number of deposits of securities with the Bank was:

On January 1, 1928	67,457	1927:
Added in the course of 1928	21,362	(44,614)
	88,819	
There were withdrawn	29,927	(37,544)
leaving on December 31,1928	58,892	

The number of the different forms of securities on December 31, 1928, was 3,281 (1927: 3,639). Interest and profits on the same to the amount of RM 47,560,452.10 (1927: RM 32,983,283.01) were collected in the course of the year.

Back charges for deposit of these securities and for the purchase and sale of same during 1928 amounted to RM 621,194.76 (1927: RM 1,122,608.22).

Trustee Deposits of Securities

Of Trustee Securities deposited with the Bank, that is to say securities belonging to the estate of a ward, and subject to the control of the Court of Chancery (Vormundschaftsgericht) in accordance with § 1814 of the Civil Code (Bürgerliches Gesetzbuch) there were at the various branches of the Reichsbank

On January 1, 1928	737	deposits	1927:
There were added in the course of the year	40	"	(59)
making	777	"	
There were returned	164	"	(548)
leaving on December 31,1928	613	"	

Securities for safekeeping

Of securities held in safekeeping with the Bank:

There were on January 1, 1928	961	deposits	1927:
There have been added	390	"	(417)
	1,351	"	
There were withdrawn	366	"	(409)
leaving deposited	985	"	

Premises

The value of the premises of the Bank is shown in the balance sheet unchanged as RM 30,000,000.

Rents received for premises and dwellings leased totalled RM 2,427,301.89 (1927: RM 2,191,546.23).

Costs of management

	1928:	1927:
The total costs of management were	RM 87,557,087.84	(RM 75,087,213.98)
Of which there were recovered (see figure 8a of the calculation of profits in the profit and loss account, Annex III)	" 509,688.23	(" 960,211.03)
Making the effective total for 1928	RM 87,047,399.61	(RM 74,127,002.95)

The increase in the costs of administration as compared with the previous year is chiefly due to the innovations in giro business introduced during 1928, and to the effect as from October 1, 1927, of the salaries reform.

Balance sheet

The balance sheet has been drawn up in accordance with the provisions of § 36 of the Bank Law and § 9 of the Statutes of the Bank (see Annex IV).

Legal reserve fund

The legal reserve fund on December 31, 1927, was	RM 43,721,846.97
To this 20% of the net profit for 1928 was added in accordance with § 37 of the Bank Law	" 5,075,598.32
Leaving on December 31, 1928	RM 48,797,445.29

Other reserve funds

The "del credere" fund is increased by RM 10 millions to RM 75 millions.

The reserve for printing new bank notes is increased by a further RM 10 millions to RM 35 millions, in view of the contemplated issue of new bank notes.

Of the available building reserve RM 8.7 millions were utilised during the year under report; with a view to further

building schemes on a large scale the fund has been brought up to RM 35 millions by a transfer of RM 18.7 millions.

The special reserve fund for future payment of dividends receives the balance of undistributed profits amounting to RM 0.3 million, which brings the total of this fund up to RM 45.8 millions.

Total profits

The gross earnings for the year 1928 (as shown in Annex III) total RM 157.7 millions as against RM 149 millions in the previous year. The larger earnings are almost entirely due to the credit transactions of the Bank and are explained by the higher rates of interest obtaining as compared with the previous year. The details of the principal items making up the gross earnings are the proceeds from the discount of bills amounting to RM 138.3 millions (1927: RM 130.7 millions) and loans against collateral amounting to RM 3.9 millions (1927: RM 3.3 millions); the other items have not changed to any appreciable extent since last year.

The expenditures amounted to RM 132.3 millions (1927: RM 123 millions). Of this amount, as already mentioned, RM 87.6 millions (1927: RM 75.1 millions) were for costs of management, RM 6.0 millions for the printing of new bank notes and a total of RM 38.7 millions for reserves ("del credere" fund, reserve for the printing of new notes and for building purposes) as against RM 47.9 millions in 1927.

RM 25.4 millions (1927: RM 26 millions) thus remain as net profit. It is proposed to distribute this amount as

follows in accordance with § 37 of the Bank Law: 20 %, i.e. RM 5.1 millions (1927: RM 5.2 millions) to the legal reserve fund, and RM 5.2 millions (1927: 5.5 millions) to the Reich, the latter sum being used in accordance with § 7 of the Rentenbank Liquidation Law for the redemption of Rentenbank notes in circulation. There therefore remain for the shareholders RM 15.1 millions (1927: RM 15.3 millions). This again allows of the distribution of a dividend of 12 % on the original paid up capital of RM 122,788,100, while the balance of RM 0.3 million (1927: RM 0.6 million) is assigned to the special reserve fund for future payments of dividends.

riginal apital

The original paid up capital of the Reichsbank remains unchanged at RM 122,788,100.

ichsbank are- lders

The shareholders of the Bank were entered in the books of the Bank as follows:

On December 31, 1927

9,789 Germans	with	1,005,205	shares of RM 100
1,300 foreigners	with	222,676	" " " 100
11,089 shareholders	with	1,227,881	" " " 100

On December 31, 1928

9,928 Germans	with	1,003,528	shares of RM 100
1,300 foreigners	with	224,353	" " " 100
11,228 shareholders	with	1,227,881	" " " 100

Staff

The number of officials, employees and workmen of the Bank was reduced from 9,938 persons at the end of 1927 to 9,885 at the close of the year under report. Of this total, the regular and temporary staff of officials at the end of 1928 was 8,528, while the employees numbered 701 and the workers (male and female) 656. The head office in Berlin employed 2,647 officials, 277 employees and 524 workers out of the above total.

Branches

The number of branches at the end of 1928 was as follows:

		1927:
Chief Offices	17	(17)
Offices	84	(84)
Sub-offices with cash department	353	(351)
Sub-offices without cash department .	1	(1)
Goods depositories	1	(1)
together	456	(454)

Sub-offices with cash departments were opened for the first time in:

Buer (Westphalia) on January 2.
Ebingen on January 2.

The Sub-office in Buchholz (Saxony) was transferred to Annaberg (Erzgebirge - Saxony) on September 10.

The following annexes are appended:

Table showing transactions of the Reichsbank in 1928 (Annex I).

Table showing the Reichsbank notes in circulation (Annex II).

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Table showing transactions of the Reichsbank in 1928 (Annex I).

Table showing the Reichsbank notes in circulation (Annex II).

Profit and Loss Account for the year 1928
(Annex III).

Balance Sheet of the Reichsbank as at December 31, 1928
(Annex IV).

List of all the Reichsbank branches
(Annex V).

List of the Members of the Reichsbankdirektorium,
the General Council, the Central Committee,
the District Committees and Assessors
(Annex VI).

Table of the weekly returns published during the year 1928
(Annex VII).

Statement showing the transactions of the Reichsbank
since its foundation
(Annex VIII).

At the meeting of the General Council held on September 29, the President of the Reichsbank Dr. Schacht was unanimously re-elected President for the next period of four years. The election of Dr. Schacht was approved by the President of the Reich on October 5, 1928.

We desire to take this opportunity of paying tribute to the memory of the member of our Board, Geheimer Oberfinanzrat Dr. jur. Carl von Grimm, who passed away on September 14, 1928. The deceased was a member of the Reichsbankdirektorium for more than twenty years, from 1907 to 1928. During this long period, by his high sense of duty,

his tireless energy, his deep knowledge and rich experience, he gave service of the greatest value to the Reichsbank.

REICHSBANKDIREKTORIUM

Dr. Hjalmar Schacht Dreyse

Budozies Bernhard Seiffert Vocke

Friedrich Fuchs Schneider.

Transl. 6669.

III. PROFIT AND LOSS ACCOUNT

		RM
I N C O M E		
1. Profits on bills and cheques payable at home and abroad		138,292,563.28
2. Profits on loan transactions (Lombards)		3,907,054.42
3. Commissions		4,223,934.65
4. Interest on credit balances		6,041,018.09
5. Profits on securities		1,049,766.51
6. Returns from real estate of the Bank		2,427,301.89
7. Profits resulting from purchase and sale of precious metals		753,766.84
8. Miscellaneous		
a) Expenses recovered ... RM	509,688.23	
b) Various	461,637.36	971,325.59
		157,666,731.27
E X P E N D I T U R E		
1. Cost of Management		87,557,087.84
2. For printing of bank notes		5,996,025.-
3. Carried to reserve :		
a) "Del credere" fund .....RM	10,000,000.-	
b) Reserve for printing of new notes	10,000,000.-	
c) Reserve for building purposes	18,735,626.81	38,735,626.81
		132,288,739.65

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		RM
Income accordingly amounted to		157,666,731.27
Expenditure accordingly amounted to		132,288,739.65
the net profit for the year 1928 therefore was		25,377,991.62
In accordance with § 37 of the Bank Law it is proposed to distribute this profit as follows :		
To the Legal Reserve Fund ..... 20 % =		5,075,598.32
leaving ...		20,302,393.30
Out of this sum the shareholders are first of all entitled to 8 % on RM 122,788,100 =	RM 9,823,048.-	
Of the remainder amounting to RM 10,479,345.30		
half goes to the Reich RM 5,239,672.65		
half goes to the shareholders	RM 5,239,672.65	
The Reich therefore receives 5,239,672.65		
which sum under § 7 c of the Law of August 30,1924 for the Liquidation of Rentenbank Notes goes to the Rentenmark Sinking Fund.		
The shareholders are entitled to	RM 15,062,720.65	20,302,393.30
Of the sum due to the shareholders amounting to	RM 15,062,720.65	
a dividend of 12 % (on RM 122,788,100) will be distributed	14,734,572.-	
The remaining sum of	RM 328,148.65	

will be carried to the Special Reserve Fund for future payments of dividends.

IV. BALANCE SHEET OF THE REICHSBANK

A S S E T S

	RM	RM
1. Reichsbank shares not issued		177,211,900.-
2. Gold, not under lien (gold bars, inland and foreign coins)		
a) in the cash offices of the Bank	2,643,705,443.65	
b) with foreign central banks of issue ..	85,626,277.09	2,729,331,720.74
3. Cash balances:		
a) Small coin	81,766,439.40	
b) Rentenbank notes	7,295,570.-	
c) Reichsbank notes	1,517,776,850.-	
d) Notes of German Private banks of issue	8,151,350.-	1,614,990,209.40
4. Credit balances in foreign currencies (of which the equivalent of RM 154,011,000 is assigned as cover for the notes in circulation)		155,781,589.33
5. Foreign notes		1,261,644.89
6. Foreign bills and cheques		371,200,990.80
7. Inland bills and cheques		
a) Treasury bills of the Reich		51,090,000.-
b) Other inland bills and cheques		2,271,858,436.17
Inland bills negotiated RM ————		
8. Silver		146,898.96
9. Loans against collateral (Lombards) viz. :		
a) Loans against gold and silver (§ 21, 3a of the Bank Law)	800.-	
b) Loans against securities (§ 21, 3b, c, d, of the Bank Law)	30,358,100.-	
c) Loans against bills (§ 21, 3e of the Bank Law)	91,171,100.-	
d) Loans against goods (§ 21, 3f of the Bank Law)	2,895,800.-	
e) Loans against long term obligations of the Reich (§ 21, 3 paragraph 2 of the Bank Law)	18,909,000.-	
f) Loans against Treasury bills of the Reich (§ 21, 3g of the Bank Law)	32,734,600.-	176,069,400.-

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L I A B I L I T I E S

		RM	RM
1. Original capital			
a) shares issued		122,788,100.-	
b) shares not yet issued		177,211,900.-	300,000,000.-
2. Legal Reserve Fund (including transfer under item 10 below)			48,797,445.29
3. Reserve for pensions and retaining-pay liabilities			80,000,000.-
4. "Del credere" fund (including RM 10,000,000 transfer from gross profits of the year 1928).....			75,000,000.-
5. Reserve			
a) For printing of new notes:			
balance on January 1, 1928	RM 25,000,000.-		
added to reserve ...	10,000,000.-	35,000,000.-	
b) For building purposes:			
balance on January 1, 1928	25,000,000.-		
of this sum there have been expended in the year 1928 ..	8,735,626.81		
	16,264,373.19		
Added to reserve ...	18,735,626.81	35,000,000.-	70,000,000.-
6. Special Reserve Fund for future payments of dividends			45,483,235.76
7. Total bank note issue			6,448,318,610.-
8. Credit balances of Giro and current accounts			816,050,537.75
9. Miscellaneous:			
a) Interest on bills due in 1929		9,669,680.39	
b) Dividends due but not yet paid		172,292.40	
c) Rentenmark Sinking Fund		9,272.49	

IV. BALANCE SHEET OF THE REICHSBANK

A S S E T S

	RM	RM
10. Securities in the possession of the Reichsbank		93,349,125.97
11. Doubtful claims		8,469,191.27
12. Land and buildings		30,000,000.-
13. Claims resulting from the settlement with the Reich		118,083,460.86
14. Miscellaneous :		
a) Bank notes no longer fit for circulation	473,050.-	
b) Postponed claim on the German Rentenbank in virtue of § 11, 4 of the Law of August 30, 1924, for the Liquidation of Rentenbank notes in circulation	70,082,498.29	
c) Claim on the German Rentenbank in respect of the Rentenbank notes withdrawn from circulation and placed under earmark for the amount of the above-mentioned claim of the Reichsbank	70,082,498.-	
d) Credit balances with Postal Cheque Offices	17,522,936.18	
e) Other claims	102,439,555.94	260,600,538.41
		8,059,445,106.80

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L I A B I L I T I E S

	RM	RM
d) Dollar Treasury notes of the Reich to be redeemed by the Reichsbank	364,692.13	
e) Liabilities in foreign currencies ...	180,504.52	
f) Other book debts	145,096,442.77	155,492,884.70
10. Net profits for the year 1928	25,377,991.62	
less 20 % assigned to the Legal Reserve Fund	5,075,598.32	20,302,393.30
Contingent liabilities resulting from negotiated inland bills, RM ————		
		8,059,445,106.80

VII. TABLE OF THE WEEKLY RETURNS

(In millions

A S S E T S

Reichsbank shares not yet issued	Gold	Foreign exchange available as cover	Holdings of		German small coin	Bank notes of other banks	Loans against collateral	
			Treasury Bills of the Reich	Other Bills and cheques			Total	including Treasury Bills of the Reich
177.212	1,864.505	285.591		2,635.490	51.414	14.503	23.130	
177.212	1,864.043	286,091		2,330.881	65.235	20.312	33.173	
177.212	1,863.428	306.401		2,078.059	80.074	26.931	23.453	
177.212	1,865.284	296.005		2,372.850	71.300	7.477	91.246	
177.212	1,886.620	292.851		2,243.589	67.374	19.402	22.776	
177.212	1,886.389	292.822		1,963.868	78.153	23.740	58.424	
177.212	1,886.263	295.088		1,924.712	83.515	25.380	22.575	
177.212	1,888.350	281.953		2,336.275	67.666	9.303	117.112	
177.212	1,888.253	297.344		2,260.942	63.059	18.776	50.630	
177.212	1,888.097	262.070		2,000.685	69.578	22.428	91.040	
177.212	1,908.944	226.768		1.927.587	77.119	25.954	31.341	
177.212	1,930.756	188.866		2,652.019	59.947	6.886	84.864	
177.212	1,960.137	196.631		2,600.747	51.008	14.299	75.430	
177.212	2,019.231	194.068		2,248.662	66.944	23.200	39.584	
177.212	2,040.915	169.330		2,035.597	83.061	27.843	35.973	
177.212	2,040.931	167.737	1.000	2,492.874	70.775	8.657	102.775	
177.212	2,040.894	197.542	1.300	2,280.366	66.929	17.634	39.246	
177.212	2,040.811	212.913	0.600	1,985.936	82.039	23.383	59.741	
177.212	2,040.722	229.456	0.100	2,035.212	91.158	27.598	27.405	
177.212	2,040.784	274.051	-	2,469.399	75.960	9.455	42.992	
177.212	2,040.776	266.905	-	2,238.071	80.808	17.876	21.627	
177.212	2,062.262	251.651	-	1,924.767	95.409	20.803	78.150	0.011
177.212	2,062.207	245.255	-	1,860.861	104.008	24.067	27.211	-
177.212	2,083.818	250.044	1.000	2,477.172	85.385	7.593	138.279	0.010
177.212	2,105.378	239.549	1.050	2,304.206	84.290	16.289	27.255	0.061
177.212	2,127.251	200.098	0.100	2,241.957	94.854	20.401	43.920	-
177.212	2,148.807	193.987	0.200	2,083.180	106.151	28.252	34.005	-
177.212	2.199.654	183.688	1.750	2,516.486	93.234	10.075	76.876	5.000
177.212	2,231.999	214.554	1.750	2,309.814	90.807	18.657	29.680	0.001
177.212	2,240.915	217.003	-	2,006.068	103.080	23.693	61.702	0.001
177.212	2,240.909	211.412	-	1,972.311	111.271	27.181	27.136	0.001
177.212	2,248.130	194.908	4.500	2,603.908	90.746	9.622	128.882	0.001
177.212	2,269.696	180.046	4.500	2,389.712	87.857	17.295	45.413	0.001
177.212	2,310.133	191.247	-	2,116.391	94.957	22.934	69.235	0.001
177.212	2,335.806	187.804	-	2,034.722	102.016	25.772	34.077	0.001
177.212	2,396.971	179.355	13.450	2,576.065	79.417	7.474	101.554	3.747
177.212	2,487.140	151.894	13.450	2,345.807	75.776	14.511	59.196	0.001
177.212	2,508.671	149.633	-	2,062.329	86.589	22.092	114.930	0.001
177.212	2,510.710	163.189	0.490	1,963.738	102.108	29.311	30.968	0.001
177.212	2,532.815	163.257	-	2,348.280	86.508	8.739	95.227	3.584
177.212	2,539.923	168.126	-	2,182.866	86.831	17.615	33.848	0.001
177.212	2,563.545	185.600	-	1,879.131	99.998	24.324	69.934	0.001
177.212	2,573.480	190.462	-	1,759.053	106.401	29.083	36.558	0.001
177.212	2,623.494	173.059	57.300	2,211.490	89.737	8.621	113.133	0.001
177.212	2,652.142	178.970	57.340	2,044.029	85.932	16.009	57.325	0.001
177.212	2,690.356	170.737	-	1,890.466	92.165	22.144	56.905	0.001
177.212	2,729.283	158.224	-	1,933.514	85.851	21.380	37.537	0.001
177.212	2,729.331	155.273	51.090	2,627.357	81.766	8.151	176.069	32.734

of Reichsmarks)

ASSETS			LIABILITIES				
Securities	Other Assets	DATE 1928	Original capital (the amount not yet issued is shown in the first column of the Assets)	Reserves	Bank notes in circulation	Other day to day liabilities	Other liabilities
93.356	519.313	Jan. 7	300.000	243.393	4,170.932	675.046	275.143
93.259	536.634	14	300.000	243.393	3,927.865	655.130	280.453
93.256	564.964	23	300.000	243.393	3,682.594	707.997	279.794
93.271	599.113	31	300.000	243.393	4,251.185	497.777	281.403
93.124	571.291	Feb. 7	300.000	243.393	4,037.848	508.999	283.999
94.257	577.167	15	300.000	243.393	3,784.432	532.571	291.636
94.256	506.243	23	300.000	243.393	3,652.870	604.189	214.792
94.239	551.823	29	300.000	243.393	4,268.220	491.035	221.285
94.239	509.987	Mar. 7	300.000	243.393	4,067.656	526.523	222.870
94.239	534.433	15	300.000	284.205	3,885.783	492.057	177.737
94.158	548.238	23	300.000	284.205	3,763.096	495.195	174.825
94.047	623.781	31	300.000	284.205	4,513.155	532.637	188.381
94.004	613.151	Apr. 5	300.000	284.205	4,411.030	602.278	185.106
94.004	527.862	14	300.000	284.205	3,996.521	613.923	196.118
93.993	542.074	23	300.000	284.205	3,760.082	671.063	190.648
93.999	588.894	30	300.000	284.205	4,409.460	557.888	193.301
94.004	558.081	May 7	300.000	284.205	4,238.937	460.549	189.517
94.004	566.406	15	300.000	284.205	3,987.108	463.541	208.191
93.997	553.730	23	300.000	284.205	3,821.567	675.111	195.707
93.996	666.721	31	300.000	284.205	4,486.906	581.523	197.936
93.996	602.403	June 7	300.000	284.205	4,218.014	532.662	204.793
93.996	604.343	15	300.000	284.205	4,039.275	471.840	213.273
93.996	616.893	23	300.000	284.205	3,906.724	512.708	208.073
93.996	684.172	30	300.000	284.205	4,674.202	525.207	215.057
93.987	604.253	July 7	300.000	284.205	4,426.661	423.769	218.834
93.987	597.957	14	300.000	284.205	4,224.979	558.355	230.198
93.987	608.416	23	300.000	284.205	3,987.430	668.299	234.263
93.968	578.922	31	300.000	284.205	4,569.272	541.528	236.860
93.820	587.468	Aug. 7	300.000	284.205	4,348.439	588.463	234.654
93.820	572.286	15	300.000	284.205	4,134.369	540.713	236.492
93.819	560.998	23	300.000	284.205	3,969.597	631.996	236.451
93.819	490.341	31	300.000	284.205	4,673.034	564.628	220.201
93.819	520.587	Sept. 7	300.000	284.205	4,453.744	505.134	243.054
93.819	515.659	15	300.000	284.205	4,256.380	498.213	252.789
93.808	523.494	22	300.000	284.205	4,100.068	575.228	255.210
93.819	544.745	29	300.000	284.205	4,830.152	503.026	252.679
93.532	538.711	Oct. 6	300.000	284.205	4,592.070	511.260	269.694
93.532	538.591	15	300.000	284.205	4,293.827	606.148	269.399
93.514	542.184	23	300.000	284.205	4,034.727	729.279	265.213
93.514	513.280	31	300.000	284.205	4,672.013	493.903	268.711
92.308	547.652	Nov. 7	300.000	284.205	4,410.332	585.157	266.687
92.309	527.545	15	300.000	284.205	4,172.738	569.453	293.202
92.311	524.778	23	300.000	284.205	4,043.265	588.720	273.148
92.330	513.454	30	300.000	284.205	4,724.024	473.395	278.206
92.339	539.944	Dec. 7	300.000	284.205	4,554.910	479.277	282.850
92.357	536.119	15	300.000	284.205	4,424.657	425.943	293.656
92.357	613.908	22	300.000	284.205	4,481.522	496.473	287.066
92.299	530.015	31	300.000	284.205	4,930.069	816.051	298.238

(Amounts in millions of marks: from 1924 onwards in millions of reichsmarks)

VIII. TABULAR STATEMENT SHOWING THE TRANSACTIONS

Year	Total turnover	Purchased			Loans against collateral	Gold purchasers	Giro business transacted (including foreign payments of interest coupons for the Reich).
		Inland bills and cheques	Treasury Bills of the Reich (since 1914)	Foreign bills and cheques			
1876	36,684.8	4,122.8		17.6	467.2	46.4	18,781.9
1877	47,541.6	3,823.6		18.7	492.8	177.2	29,171.3
1878	44,254.7	3,355.8		40.3	525.8	97.7	29,256.6
1879	47,458.8	3,369.4		39.3	628.4	84.0	31,963.2
1880	52,193.5	3,484.8		57.4	839.7	46.2	36,606.5
1881	56,336.1	3,661.8		56.6	1,046.6	47.1	39,283.3
1882	56,005.7	4,000.6		42.8	900.9	110.9	38,008.3
1883	62,619.7	3,800.2		45.8	704.2	55.9	45,683.5
1884	71,590.8	3,779.9		43.6	765.2	13.5	54,894.0
1885	73,199.0	3,559.3		77.3	740.0	129.7	56,654.3
1886	76,565.4	3,559.1		105.2	775.8	130.3	59,898.8
1887	79,839.1	3,953.3		66.6	690.3	172.3	61,787.0
1888	84,337.6	3,918.1		54.8	709.6	235.9	66,904.4
1889	99,708.9	4,636.3		61.6	1,045.5	12.1	79,026.1
1890	108,595.4	5,425.5		64.0	1,315.2	88.0	83,804.0
1891	109,933.2	5,413.9		78.3	1,208.1	176.5	85,223.3
1892	104,489.3	4,825.5		68.5	907.0	61.5	82,610.7
1893	110,942.3	5,359.8		67.2	1,054.4	137.0	86,784.2
1894	110,784.0	4,730.2		52.7	825.0	241.1	88,643.9
1895	121,313.1	5,166.3		54.0	1,110.9	55.3	97,931.2
1896	131,499.2	6,234.4		54.4	1,428.2	62.0	109,807.3
1897	142,110.6	6,607.1		54.1	1,553.0	124.0	119,057.3
1898	163,395.5	7,282.3		81.4	1,516.6	101.4	139,277.8
1899	179,632.5	8,175.4		131.0	1,479.0	98.4	155,992.1
1900	189,091.5	8,551.8		211.8	1,594.6	124,5	163,639.1
1901	193,147.6	8,580.1		169.1	1,514.8	139.0	167,737.2
1902	191,926.2	7,437.5		180.4	1,499.8	29.2	169,227.4
1903	205,284.6	8,564.3		175.0	1,908.1	97.9	179,131.9
1904	221,589.6	8,377.3		176.2	1,957.4	264.5	194,562.7
1905	251,267.1	8,946.7		229.0	2,093.4	152.4	222,150.8
1906	279,218.3	10,213.8		291.9	2,773.2	27.6	245,637.6
1907	298,997.4	11,882.3		268.1	3,293.3	111.6	260,668.8
1908	305,244.5	9,620.4		484.6	2,812.2	298.9	269,960.4
1909	331,032.0	9,769.3		589.4	2,728.9	155.2	295,038.5
1910	354,150.4	10,843.6		847.5	3,374.4	164.6	314,184.0
1911	377,502.5	11,307.8		939.5	2,933.1	174.6	337,856.8
1912	413,992.4	12,675.3		804.6	3,130.6	193.1	371,205.8
1913	422,339.7	11,740.1		832.5	3,041.8	317.5	379,169.0
1914	521,775.5	11,864.3	7,831.0	514.8	2,151.0	116.6	464,840.8
1915	972,519.4	5,359.2	49,948.5	11.3	484.0	25.7	831,983.4
1916	1,257,331.4	5,266.7	60,411.5	172.6	532.3	113.3	1,065,465.3
1917	2,029,669.7	3,147.5	115,958.3	442.5	546.9	45.9	1,685,284.7
1918	3,342,920.3	2,069.6	233,986.8	404.2	506.1	419.9	2,676,121.1

Costs of management	Net profit	Distribution of net profit				Totals amounts cleared at the Clearing Offices (Abrechnungs-stellen)	Number of officials employed by the Reichsbank at the end of the year.
		Reich	Shareholders		Reserve Fund*		
				Dividend %			
5.4	10.3	1.9	7.4	6 1/8	1.0	-	1,094
5.6	10.7	2.1	7.5	6.29	1.1	-	1,127
5.4	10.8	2.2	7.6	6.30	1.0	-	1,143
5.3	6.9	0.6	6.0	5.00	0.3	-	1,141
5.4	9.9	1.8	7.2	6.00	0.9	-	1,155
5.4	11.9	2.6	8.0	6 2/3	1.3	-	1,161
5.5	13.1	3.1	8.5	7.05	1.5	-	1,181
5.8	10.7	2.1	7.5	6.25	1.1	887.5 (December only)	1,219
5.9	10.6	2.1	7.5	6.25	1.0	12,130.2	1,248
6.0	10.6	2.1	7.5	6.24	1.0	12,554.4	1,269
6.1	7.8	0.9	6.4	5.29	0.5	13,356.5	1,307
6.3	10.5	2.0	7.5	6.20	1.0	14,207.2	1,337
6.5	8.1	1.1	6.5	5.40	0.5	15,514.6	1,392
6.8	12.9	3.0	8.4	7.00	1.5	18,049.0	1,445
7.4	20.7	7.1	10.6	8.81	3.0	17,991.3	1,507
7.8	18.7	8.6	9.1	7.55	1.0	17,663.3	1,573
8.3	11.9	4.3	7.6	6.38	-	16,762.8	1,635
8.7	17.6	8.6	9.0	7.53	-	18,272.9	1,690
9.1	11.4	3.9	7.5	6.26	-	18,398.0	1,745
9.7	9.9	2.9	7.0	5.88	-	21,284.8	1,819
9.5	17.4	8.4	9.0	7.50	-	22,904.9	1,894
10.3	19.4	9.9	9.5	7.92	-	24,198.5	1,989
11.3	22.3	12.1	10.2	8.51	-	27,975.3	2,074
11.7	31.7	19.1	12.6	10.48	-	30.237.7	2,192
12.8	33.9	20.8	13.1	10.96	-	29,472.7	2,322
13.7	25.9	12.4	9.4	6.25	4.1	28,922.0	2,467
14.2	20.0	8.8	8.2	5.47	3.0	29,969.1	2,552
14.6	25.4	12.1	9.3	6.18	4.0	31,136.5	2,662
15.2	26.5	15.9	10.6	7.04	-	32,635.3	2,795
15.8	25.4	14.3	11.1	6.15	-	37,603.0	2,939
16.9	40.3	25.5	14.8	8.22	-	42,036.1	3,084
18.8	52.3	34.5	17.8	9.89	-	45,313.1	3,224
20.9	37.0	23.0	14.0	7.77	-	45,960.9	3,371
21.8	23.1	12.6	10.5	5.83	-	51,427.5	3,440
21.9	27.7	16.1	11.6	6.48	-	54,341.8	3,495
23.4	27.5	14.9	10.5	5.86	2.1	63,015.3	3,571
21.9	37.4	21.8	12.5	6.95	3.1	72,543.6	3,626
22.6	50.6	31.0	15.2	8.43	4.4	73,634.2	3,708
24.8	67.0	42.5	18.4	10.24	6.1	66,644.8	3,749
26.5	106.4	85.4	16.1	8.97	4.9	58,106.1	3,694
28.9	96.3	76.0	15.6	8.68	4.7	67,515.3	3,674
34.1	97.3	76.9	15.7	8.72	4.7	93,185.8	3,640
47.7	110.8	90.5	15.6	8.68	4.7	119,309.5	3,623

* See following page.

(Amounts in millions of marks: from 1924 onwards in millions of reichsmarks)

VIII. TABULAR STATEMENT SHOWING THE TRANSACTIONS

Year	Total turnover	Purchased			Loans against collateral	Gold purchases	Giro business transacted (including foreign payments of interest coupons for the Reich)
		Inland bills and cheques	Treasury bills of the Reich (since 1914)	Foreign bills and cheques			
1919	5,876,596.2	2,641.2	449,287.2	1,680.4	1,327.4	927.3	4,745,209.4
1920	12,770,735.5	9,845.4	773.875,5	24,159.9	2,856.4	6.4	10,698,655.1
1921	20,090,601.3	14,038.1	1,277,083.3	18,799.5	5,108.2	36.7	16,712,655.9
1922	95,540,829.3	747,991.7	4,716,137.9	391,760.3	148,104.5	19.2	79,511,622.1
1923	61,677,982,291,156,000.0	1,472,696,493,997,519.6	209,654,848,627,132.8	236,437,562,097,792.8	201,541,690,121,607.3	90.9	37,906,749,461,413,659.4
1924	526,027.9	18,182.1	-	2,399.2	2,714.2	120.6	433,498.8
1925	574,519.1	17,384.5	-	3,257.3	4,128.2	423.6	472,378.8
1926	626,923.7	10,317.0	-	5,592.1	4,672.7	622.7	539,423.8
1927	729,930.0	20,372.2	-	2,259.6	5,926.3	90.1	628,793.2
1928	819,906.0	21,118.2	-	3,491.2	6,345.2	869.6	694,726.3

Costs of management	Net profit	Distribution of net profit				Total amounts cleared at the Clearing Offices (Abrechnungsstellen)	Number of officials employed by the Reichsbank at the end of the year
		Reich	Shareholders	dividend %	Reserve Fund *		
93.2	115.5	94.9	15.8	8.79	4.8	182,676.8	4,264
206.1	53.1	32.8	15.7	8.70	4.6	695,776.2	5,834
339.5	64.8	40.9	18.0	10.00	5.9	1,072,118.4	7,096
4,265.9	338.7	232.7	72.8	40.00	33.2	6,367,752.0	7,755
10,952,972,899,883.2	9,003,810,545,635.0	6,302,667,384,304.4	1,800,762,111,491.5	1 billion ** (+ 1½)	900,381,049,839.5	2,371,643,946,886,383.5	8,818

		Dividend Reserve Fund	Shareholders			
				div. %		
86.7	122.5	55.6	33.4	9.0	10	24.5	31,462.9	9,405
85.9	42.7	12.2	9.7	12.3	10	8.5	50,926.3	8,763
83.3	22.8	4.2	1.7	12.3	10	4.6	56,876.9	8,572
75.1	26.0	5.5	0.6	14.7	12	5.2	97,744.2	8,495
87.6	25.4	5.2	0.3	14.7	12	5.1	121,004.1	8,528

* The Legal Reserve Fund was further increased by :
12.1 million marks in 1876
10.5 " " " 1901
13.2 " " " 1904
12.5 " " " 1920.

** i.e. one million millions.

I.I.9.4140 DOC.306

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 27, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT JANUARY 31, 1929.

(cf. DOC. 304)

The following is a translation of the balance sheet of the Rentenbank as at January 31, 1929, as published in the Reichsanzeiger No.47 of February 25, 1929.

	December 31, 1928	January 31, 1929
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.12.28 RtM 1,199,844,000 as on 31.1. 29 RtM 1,199,844,000		
Loan to the Reich	677,566,298.29	662,566,298.29
Outstanding claim (Rentenbank-Kreditanstalt)	46,123,770.35	36,681,168.70
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	10,704,072.67	21,556,045.38
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,458,793.09	3,505,300.15

	December 31, 1928	January 31, 1929.
LIABILITIES		
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation :		
in public circulation	537,245,302.-	522,245,302.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.-	156,000.-
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	6,063,080.33	5,825,217.22
Miscellaneous liabilities	533,469.94	634,749.95

Under § 7 b of the Law on the liquidation of Rentenbank notes, the 15,000,000 rentenmarks falling due on January 2 were paid to the sinking fund at the Reichsbank, the loan to the Reich and the Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amount have accordingly been redeemed :

Rentenmarks	275,005,001.90	under § 7 a of the Law
"	255,000,000.-	under § 7 b of the Law
"	77,511,198.10	under § 7 c of the Law
"	880,334,583.-	under § 11 of the Law.
total "	1,487,850,783.-	

Transl. 6749.
EP.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BUDGET OF THE REICH FOR 1929-30

Address of the General Budgetary Reporter of the Reichsrat, the Finance Minister of the Reich and the general discussion on the occasion of the adoption of the budget by the Reichsrat, March 5, 1929.

(Translation from the report published in the Deutscher Reichsanzeiger und Preussischer Staatsanzeiger No. 57 of March 8,1929).

Dr Brecht (the general budgetary reporter of the Reichsrat) spoke as follows:

The Government of the Reich took over five negative legacies, the consequences of which are now making themselves felt: 1) the insecure position of the Treasury; 2) the uncovered expenditure of the extraordinary budget; 3) a "blank heading" for unemployment insurance; 4) an item of 33 millions for occupation costs already paid in respect of the years 1925 to 1927 but not yet included in the budget; and most important of all 5) the uncovered increase of expenditure for reparations in conjunction with a simultaneous drop in non-recurrent revenues. At the present time the position of the Treasury is the most urgent cause of anxiety. We have now reached a point where, in addition to the working credits allowed, the whole of the authority to borrow still outstanding must be fully realisable in the form of short-term credits. The committees have mooted the possibility of assistance from the States and have recommended that any expenditure which can be postponed should be put off until after April 1. The previous Government overshot the mark in the calculation of the surpluses for 1927; it would have been better to deduct the payment of 33 millions

for occupation costs in respect of the years 1925 to 1927 from the surpluses, whereas now it is a charge on the 1929 budget. Last year the extraordinary budget was a source of great pride; the book expenditures were reduced and covered by other resources without the help of loans. But of this cover the largest item - repayment by the Reichsbahn of a loan for 80 millions - has so far failed to materialise, while the blank heading for unemployment insurance had to be filled in as early as the end of February by means of a loan for RM 105 millions. In order to ease the position for 1929 provision is made for an internal loan to the value of 164 millions from the old age and disablement insurance organisations. It was originally intended to include this loan within the limits of the authority to borrow already accorded. The Reichsrat however, has made a fundamental change on this point. The rising unemployment has made it necessary for the Reich to lend the insurance office more than 100 millions from Treasury resources although it started the winter with considerable reserves. The office will only be able to repay part of this loan in the summer, so that in the absence of reserves it will be obliged, even with a normal degree of unemployment, to borrow at least 150 millions from the Reich next winter. Under these circumstances the Government of the Reich and the Reichsrat thought it necessary, in order to avoid the dangers of self-deception, to include the 150 million loan in the extraordinary budget and to use as cover the loan raised from the old age and disablement insurance which thus appears as an additional revenue item in the extraordinary budget.

The committees have cut down the estimates for canal construction by 7.5 millions. It was recommended that the further treatment without loans of the question of canal construction should be thoroughly discussed by a suitable committee of leading authorities on economics, social policy and finance. On the other hand the committees raised the estimate for agricultural settlements to a sum of 50 millions (instead of 25 millions) for 5 years. It is just the present position of the estate market which ensures that purchases will be made under favourable conditions and makes settlement work doubly beneficial. The extraordinary budget was thus completely revised by the Reichsrat.

In the Report for last year we foretold that the material position of the total budget for 1929 would be aggravated to the extent of 750 millions. This calculation has proved to be correct. The hope then held out to us of some saving in non-recurrent expenditure or some considerable new sources of non-recurrent revenue has, as we feared, come to nought. A characteristic feature of the new burget is that there is no change in real expenditures. Allowing for the supplementary budget, the position is aggravated to the total extent of RM 797.1 millions. The estimates for income tax, corporation income tax and turnover tax deliberately take no account of the danger from special crises now felt to be threatening the business community; the estimate for customs on the other hand presupposes a less satisfactory harvest. The committees however did not criticise these estimates, since any curtailment would have necessitated immediate new tax levies. In order not to aggravate the difficult position of enterprise, it is only right to wait

until we can see whether the favourable estimates will be realised. But the cover is none too secure. In spite of the high new taxes it is rather a question of a provisional balance with the danger of a deficit, for which in the last resort a tax reserve must be found.

A fierce struggle was waged over each one of the proposals for tax amendments. The main question was their replacement by an increase in the turnover tax. The tax proposals were passed by a majority vote and their replacement by the turnover tax rejected. The reduction of income tax on medium incomes (30 millions) was rejected on the grounds that it afforded but little relief to the taxpayer but at the same time made a large hole in the tax returns.

The cut in the transfers to the States and communes is felt by the States to be specially hard. Many of the State budgets show deficits. Among them is the Prussian budget, for the compensation payment of 25 millions by the Reich which Prussia included under the assets of her budget does not appear in the budget of the Reich. Bavaria has a deficit in her budget estimates of as much as 44 millions, Saxony 25.6 millions, Baden 12.5 millions, Thuringia 12 millions, Hesse 11-12 millions and Hamburg 11 millions, while the smaller states have corresponding adverse balances. In reality therefore the deficit threatening the Reich is transferred to the States. Criticism of the present constitutional structure of the States is frequently combined with an unjustifiably low opinion of their administrative duties. It is a widespread heresy that the Reich bears the major portion of the internal cost of administration. As a matter of fact by far the

most expensive functions of the general internal administration are performed by the States and communes: schooling, including universities, on which more than 1¾ milliards are spent every year, justice costing a quarter of a milliard and the police force costing 450 millions (in addition to the Reich subsidy); then come general welfare work (1½ milliards), housing and settlements (more than ¾ of a milliard) and roads and transport (700 millions). These figures alone together total almost 5½ milliards per annum, or a sum far exceeding the general tax transfers to the amount of 3.2 milliards. It is probably true that in most of the Cabinets of the States the Finance Ministers have vetoed expenditures up to the limit of what is possible and in many cases have throttled them to an intolerable extent. The preliminary work for the reform of the Reich is progressing. It will however never overcome the struggle in regard to the inter-state financial settlement which has also to be waged within the States with their communes and associations of communes. The problem of the inter-state financial settlement requires more profound handling than that represented by mechanical curtailment with nothing in return. A motion for the omission of the cut in transfers was rejected by the committees, but only because Prussia thought it necessary on political grounds to agree to the reduction, although she shares the view that it is materially unjustifiable. The actual transfers for 1928 exceed the estimates by 180 millions, so that in 1929 the States will receive considerably less than in 1928.

I now come to expenditures. The following statement shows how the total expenditures are distributed under the draft

submitted by the Government: I. The net expenditures together total 9,825.3 millions (previous year: 9,498.1). II. Of this total the following sums are appropriated for the liquidation of the war: a) London Agreement 1,540.5 (for 1928: 1,247.2), b) internal war charges 270.6, c) pensions to belligerents and members of the old army 1,671.7, the total for a), b) and c) being 3,482.8; the balance after deducting II. from I. is 6,342.5. III. This balance is appropriated as follows: a) finance administration 514.9, b) public debt 433.5, the total for a) and b) being 950.4; there remains for the Reich and the States 5,392.1. IV. Of this the States, for the fulfilment of the duties devolving upon the States and the communes (including police) receive 3,470.9 (1928 estimate = 3,397.8, but actual transfers = approximately 3,577) leaving for the material expenditure of the Reich 1,921.2 (1928 estimate = 1,913.7; amount actually expended, without outstanding balances, at least 2,070; 1927 with outstanding balances, 2,475). With this sum the Reich has to cover all material expenditure in the narrower sense of the term.

V. This 1,921.2 millions is expended by the Reich as follows: a) defence force including pensions to the new defence force 687.7 plus 62.6 = 750.3 (1928: 708.1 and 57.8), b) social welfare 689.9 (1928: 645, 1927: 1,041 millions), c) economic purposes 255.4 (1928: 281.4), d) cultural purposes 39.6, e) health and hygiene 7.4, f) police force 5.8, g) all other administrative departments including the President of the Reich, the Chancellor of the Reich, Parliament, foreign affairs with all diplomatic missions, the ministries of the interior, economic affairs, labour,

food supplies, transport and justice, including pensions, 124.8 (previous year 122.2), h) joint administrative functions (postal indemnity, welfare of officials, etc.), 48.0, together totalling 1,921.2. The rise in tax transfers to the States of 68.1 millions as compared with the estimates is only apparent, for the reason that the total includes an earmarked transfer of 43.2 millions from the automobile tax and additional transfers to the amount of 14.5 millions to States with poor tax returns.

It was to be foreseen that social expenditure would rise as a result of unemployment relief. Expenditure for economic purposes has fallen heavily, from year to year. Provision is still made for non-recurrent expenditure for agriculture to the amount of 22.3 millions, including a sum of 18 millions for "agricultural reorganisation and the promotion of sales" as the first instalment towards a programme of reform to last for five years and to cost 100 millions in all.

The further reduction in expenditure on the army and navy (gross reduction of 22.7 millions) shows an earnest desire to save in this direction. The estimates for arms, munitions and army material are reduced to 73.9 millions (as against 84.1 millions in 1928 and 90.9 millions without outstanding balances in 1927) while those for the construction of new vessels including armature are reduced to 47.0 (as against 57.6 millions in 1928 and 52.1 millions without outstanding balances in 1927); for the armoured cruiser a second instalment of 13.2 millions appears; by means of the system of reciprocal cover with other estimates which is here retained an additional sum of about 4 millions will be expended. In future years the lack of

clearness in regard to cover possibilities is to be eliminated, for new constructional work at least; on this occasion the majority on the committees insisted that the old system should be retained. No new constructional work is proposed, apart from one advice-boat, two vessels for the protection of fishery and one tanker. 86.4 millions are reserved for future years. For the first time since the war there is some reduction (about 30 millions) in the heaviest item of the budget of the Reich, the expenditure for war pensions. There is indeed a heavier drop in the pensions to surviving dependents; orphans who were more than three years of age upon the outbreak of war now cease to draw pensions, the main categories remaining being those of children born between 1911 and 1919. But there is a constant increase in the number of newly recognised war victims and of cases in which the injury has grown worse, so that in the next few years there will be but little reduction in this item.

This general statement of ordinary expenditure was fundamentally unchanged by the Reichsrat. Here as elsewhere every endeavour was made to substitute expenditure cuts for taxation and the curtailment of transfers. Such endeavours were however found to be impossible of execution. Differences of opinion as to the extent of the cuts did in individual cases exist, but they changed nothing in the main features of the budget.

The committees made the following cuts in the ordinary budget: foreign affairs, 2.7 millions, including 1 million in foreign allowances in view of the present critical position:

army and navy 5.3 millions (including a reduction of 2.5 millions in the first instalment for the advice-boat); inland waterways administration 1.7 millions; finance administration of the Reich for the construction of official dwellings owned by the Reich 2 millions; about 20 millions in the estimates for the inclusion in the budget of the 1925-1927 occupation costs; other departments, 1.6 millions; travelling expenses of all the officials of the Reich, 2.5 millions (representing a cut of 10 per cent); expenditure on personnel of all the departments of the Reich, a lump sum reduction of 5 millions; together making approximately 41 millions. The committees thought it necessary to incorporate in the budget a first reduction in the expenditure on personnel by the abolition of every third post falling vacant, a measure earnestly desired on all sides. The maximum for expenditure on personnel of the Reich was reached in 1928 and there will now be a slow and steady decline. This improvement of 40 millions is augmented by additional revenues to an aggregate amount of approximately 51 millions. On the other hand, the following additions were made: sending of children, disabled men, etc. to convalescent homes and similar purposes 1.5 millions; Roman museum in Mayence RM 20,000; support of the theatre in occupied territory RM 500,000; extension of the Mayence bridge over the Rhine RM 100,000; extermination of the musk rat RM 50,000; tax losses of the communes with railway exploitations exempt from taxation RM 2.5 millions; and upon the application of the Government of the Reich, as a recurrent entry for the Schichau-Werke, RM 2.3 millions. These additions amount in all to only

7 millions. The following point has however to be considered: the Government draft contained a blank heading for the eastern frontier districts, of which further particulars were to be given later. A sum of at least 25 millions was contemplated. The committees thought it necessary to enter this sum in the budget, as otherwise a false impression would have been given. Of this sum 18 millions are to go to support the real estate market, thus fulfilling one of the most important tasks of the year. For the frontiers on the north, west and south east a sum of 5 millions was entered. This means additional expenditure to the amount of approximately 51 millions. All that the Reichsrat was able to do therefore was to make the budget balance in spite of the necessary additions for the frontier districts etc. For aviation the new budget, in conformity with a resolution of the Reichsrat, contains an estimate of 4 millions for the construction of building sheds for the Zeppelin company (one double shed or two single sheds); it is proposed to include the balance of RM 500,000 in the 1930 budget. The cost of constructing the new airship will be borne by the company itself.

1929 is rightly described as a critical year. If it were the only year of the kind, we could anticipate a non-recurrent deficit. But we have no security today that similar years will not follow. What does this imply? In 1930 the general position of the budget will probably be little changed apart from the London Agreement. But large sources of revenue will disappear, including the non-recurrent supplement to the property tax (104 millions). Even if the big Reich reform should come to us overnight, it would hardly make good these heavy revenue losses,

at least during the next few years. Among the real possibilities of relief therefore for the next few years the only effective one is the reduction of the reparation charges and the evacuation of occupied territory. I believe that the Reichstag also, even with the best intentions with regard to expenditure cuts - and we wish it every success in this direction - will come to no other conclusion. It is not yet certain whether it will be possible at an early date to obtain the necessary changes in these two items. We hope that it will be possible, but are not prepared to make in exchange dangerous new sacrifices the effects of which cannot be foreseen. That is undoubtedly the unanimous opinion of the Reichsrat.

The Reporter submitted resolutions of the committees demanding a law for pensions for ministers as soon as possible and the proportional transfer of the waterway protection service of the Reich to the States.

Finance Minister Dr. Hilferding then spoke. He thanked the Reichsrat for its work on the budget estimates, which had been particularly heavy this year, and then continued as follows.

The Government of the Reich agreed to the decisions of the committees, with the exception of alterations to the amount of 32½ millions. The most important point on which the committees differed from the Government draft was by the entry of 25 millions under the blank heading for the eastern frontier districts. On this point the Minister spoke as follows: the Government of the Reich is negotiating with every prospect of success with the Prussian Government, for the application of suitable measures for the relief of economic difficulties in the districts the

development of which is impeded by the Polish Corridor. Agriculture is here in the foreground, since on it the economic system of the distressed areas in the east depends. The object of the proposed measures is therefore to prevent the threatened collapse of agricultural undertakings by easing the burdens which they have to support, by affording greater long-term credit facilities, and by supporting the real estate market by some means calculated to prevent land formerly under cultivation from being lost to production. The Government of the Reich will do all in its power to hurry on the negotiations with Prussia. It is convinced that the great majority of the German nation will be prepared to make sacrifices for the distressed areas, and it notes with satisfaction that in the Reichsrat the other States as well as Prussia are prepared to help. The Government intends to submit a bill to the Reichstag, but is opposed to the entry of any amount in the budget before the bill is presented. It is not yet possible to say whether 25 millions is the right amount. For this reason alone the Government of the Reich, although in full agreement with Prussia and with the Reichsrat as to the end in view, will pass on to the Reichstag alternative proposals, one being the blank heading proposed by the Government and the other the entry suggested by the Reichsrat. The Government of the Reich is further unable to agree to the following alterations in its draft and will submit alternative proposals in the following cases: 1) entry of a sum of 2.5 millions for communes with railway exploitations exempt from taxation; 2) inclusion of a blank heading under the terms of § 60 of the inter-State financial settlement; 3) inclusion of 5 millions for frontier districts; 4) rejection of income tax

reduction; 5) cut of 5 millions under the salaries law; 6) appropriation of the sum provided for occupation costs as cover for the ordinary budget; 7) alteration in the provision of § 54 of the inter-State financial settlement. For the rest the Government will accept the decisions of the Reichsrat, with the express declaration that it does not whole-heartedly and positively approve the decisions and regrets especially the cut in travelling expenses as an inexpedient and mechanical measure.

The Reichsrat then began the debate on the individual budget estimates. The debate opened with the estimates of the Ministry of Defence, on which the Defence Minister Dr Groener spoke as follows:

In spite of the statement made by the Finance Minister, I feel it my duty once more to request you with all urgency to cancel the cuts which you have made in the estimates of the Ministry of Defence. These estimates were so economically compiled that the Finance Minister had no practical objection to make to any of the entries. The reduction as compared with the previous year amounts in effect to 38.5 millions. In the Reichsrat also practical objections to my estimates have been almost entirely lacking, apart from arguments based on the critical financial position which of course apply to all expenditure. The reduction in travelling expenses is of far greater import for my Ministry than for any other. I ask for no preferential treatment in the case of purely administrative journeys. But most of the journeys of my Ministry are undertaken in matters of vital importance for the Defence Forces. As examples I need only mention army manoeuvres and practices.

Most of the outlay for these purposes is drawn from travelling expenses. It cannot be the serious intention of the Reichsrat to make a general cut of 10 per cent in this heading.

The representative of the State of Oldenburg then spoke as follows:

Germany has every reason to exploit to the full the defence possibilities left to her by the Treaty of Versailles. Any small saving would for the most part be offset by outlay for unemployment relief subsequently entailed. For almost all the votes cancelled would ultimately have been spent on wages. Oldenburg is convinced however that positive proposals have no chance of success. It accordingly merely proposes that the sum of 500,000 marks for shipbuilding yards and repairs to ships, which was cut by the committees, should be reinserted, since otherwise a further 120 workers would be discharged in Wilhelmshafen and Rüstringen, in addition to the 700 already dismissed owing to the inadequate supply of new constructional work as compared with 1928. If in the near future new constructional work should be contemplated, there would be a shortage of skilled workmen.

The proposal did not find sufficient support.

The representative of Thuringia proposed in the interests of the industry dealing in fuel oil that a heading cancelled in the navy estimates should be reinserted. The proposal was rejected by 41 votes to 27.

In connection with the estimates of the Ministry of Labour, the Oldenburg Minister Ahlhorn proposed that 3 million marks of the 50 millions for settlements should be devoted to

settlements in Oedland and Neuland. The Prussian Ministerial-direktor Brecht opposed the proposal, but said it would be desirable if possible to make available a special 3 million marks for this purpose in a later supplementary budget. The Oldenburg proposal was rejected by 41 votes to 27.

In connection with the estimates of the Ministry for Economic Affairs, the Prussian Secretary of State Weismann argued in favour of co-ordinating the propaganda funds for fairs and exports. The Saxon Minister Gradnauer opposed the proposal in the interests of the Leipzig Fair. The proposal was accepted by 39 votes to 28.

The debate on the individual estimates was then interrupted. The proposals for the provision of revenue were next discussed. The Bavarian Minister Dr von Preger moved that, in the place of the various proposals for the provision of revenue, one proposal only should be adopted raising the turnover tax from 0.5 (sic) to 1 per cent. The motion was rejected by 48 votes to 20, those in favour of the motion being Bavaria, Wurtemberg, Thuringia, Mecklenburg-Schwerin, Oldenburg and Mecklenburg-Strelitz.

The increase in the beer tax was then discussed. The committees of the Reichsrat approved the Government proposal with a few unimportant changes. No change was made in the clauses relating to tax rates, quota arrangements and the quantities allowed to brewers for domestic consumption. The Government draft was accepted at the plenary meeting also by 41 votes to 27, those opposed to the motion being East Prussia, Brandenburg, Pomerania, Schleswig-Holstein, Westphalia, Bavaria, Wurtemberg, Baden, Thuringia, Oldenburg and Brunswick.

Ministerialdirigent Dr Hellich acted as Reporter for the bill concerning the alcohol monopoly.

It is hoped that the increase in the tax will bring in 90 millions of additional revenue. In order to avert the danger of a drop in consumption and a shrinkage in revenues, a number of measures are proposed which are intended to facilitate control of the alcohol market and so to cope more effectively with illicit trading. In spite of serious objections, the majority on the committees approved the Government draft; a number of changes were however introduced, particularly in favour of the so-called "compounded" distilleries and the small distilleries. At the suggestion of the representative of Baden, the Chairman of the Alcohol Monopoly today repeated at the plenary meeting the assurance already given in committee; he said that on the advisory council of the Monopoly Administration he would support the view that special consideration should be shown to small distilleries with an annual production of not more than four hectolitres.

The Government proposals was accepted by a simple majority vote.

Ministerialdirektor Dr Hammer acted as Reporter for the proposal to amend the law on succession duties.

The draft extends the taxation of bequests from husbands or wives by cancelling the exemptions hitherto in force, but with the reservation that only half the rate of the tax is collected. The provisions relating to interest on the postponed payment of succession duties are also amended.

The proposal was accepted, also by simple majority, the voting being 38 against 30 votes.

For the proposal to amend the income tax law Ministerialdirektor Dr Hog acted as Reporter on behalf of the committees.

In July of last year the Government contemplated an investigation of the question as to how far a moderate reduction in the lower and medium grades of income tax would be possible. It said that any reduction of the kind would depend on economic developments and the financial position of the Reich. At the same time the Reichstag passed a resolution concerning a reduction in the tax levied on medium incomes. The bill drafted by the Government was on the lines indicated. In particular the rates of 15, 20 and 25 per cent in the medium grades were reduced by 1 per cent each to 14, 19 and 24 per cent respectively. The Reichsrat committees, while fully recognising the justification for a reduction in the tax levied on medium incomes, take the view with a large majority that no such reduction is at present advisable. They hold that there is no point in introducing a reduction at a time when, owing to the financial crisis, other taxes (particularly the succession duties and the property tax) have to be raised to an almost intolerable extent. The sum in question of 36 millions cannot be spared under present circumstances, while on the other hand the reduction affords no real relief to the individual taxpayers, who in any case do not belong to the categories least able to pay. The Reichsrat does not feel itself bound by the former Government declaration. The committees have accordingly rejected the provisions relating to

a reduction in rates, which are the main feature of the Government draft.

The Government proposal was passed by simple majority as amended by the committees, only a few unimportant provisions being retained.

Ministerialdirektor Dr Hog also acted as Reporter for the bill amending § 26 of the property tax law.

This law does not deal with the extraordinary supplement to the property tax, which is incorporated in the budget law itself as being a non-recurrent measure. The amendment proposed relates to the tax on property increment, the object being not to collect the tax on such increment until the property is assessed for the first time under the provisions of the assessment and property tax laws. The technical force of this proposal was recognised by the committees, since at the present time comparison of the original property with that subsequently owned would give a wrong impression.

The Government proposal was accepted by a majority vote.

There followed the bill amending the law for a tax on bills of exchange, for which Ministerialdirektor Dr Hammer acted as Reporter.

The reduction in the tax formerly allowed for bills drawn in Germany on foreign countries is to be extended to bills drawn abroad on Germany. Further the tax known as the supplementary tax on bills of exchange (Wechselnachsteuer) is to be cancelled. This tax has not fulfilled the hopes placed in it, and has

brought in only small returns. In addition the taxpayers have complained that it complicates business dealings.

The Government proposal was passed by a majority vote.

There followed the debate on the budget law. The committees propose that the law should be passed without change. Bavaria however claims the omission of § 9 which contains the proposals for a supplementary tax on property. The omission of this article was rejected by 43 votes, against the 26 votes of Bavaria, Wurtemberg, Baden, Thuringia, Oldenburg and the Prussian provinces of East Prussia, Brandenburg, Pomerania, Lower Silesia and Westphalia. The province of Upper Silesia abstained from voting. The budget law was passed without change while the budget of the Reich was accepted as amended in the course of the debate on the individual estimates.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 25, 1929.

FINANCES OF THE REICH

SPEECH BY THE FINANCE MINISTER OF THE REICH, DR HILFERDING, ON THE BUDGET FOR 1929, MADE IN THE REICHSTAG, MARCH 14, 1929.

(cf. DOC. 282)

(The following is a translation of the full text from Official Reichstag Proceedings, 55th Meeting).

Upon the presentation of the Budget I consider it my most important duty fully to elucidate our financial position. I shall confine my attention to the principal points, and this I am able the more readily to do for the reason that I have this year continued the laudable endeavour inaugurated by my predecessor to explain the budgetary position in a detailed "Survey". I believe that this Survey satisfactorily explains all the decisive points connected with the elaboration and administration of the Budget. We have been at pains in every respect to extend it and to render it more readily comprehensible; and I think I may say that as a result of the Survey the Budget is no longer a secret book, but that this book, which embodies objectively the whole conformation of our policy, will now be brought home to the understanding of wide circles of the population. This being so, I am able, as I

said above, to confine my attention to the main points and to expound the financial situation with absolute frankness, since only in this way can we diagnose the case aright and on the basis of a correct diagnosis arrive at the correct remedy.

I may perhaps begin with the conformation of the extraordinary budget, for which the 1926 and 1927 votes were of particular significance. As a result of the severe economic crisis we then decided upon a programme for the provision of work, and in the course of 1926 and 1927 new expenditures were added to this programme with the result that in 1927 the expenditures of the extraordinary budget totalled no less than 1,400 millions, the cover for these 1,400 millions being long-term loans which it was proposed to contract. As a matter of fact however long-term loans for this amount were not raised. We only succeeded in 1927 in issuing the loan for 500 millions which brought in a sum of 452 millions. But of this amount also part was only nominal; not only were we compelled to raise the interest rate of the loan, originally fixed at 5 per cent, to 6 per cent, but in addition we were forced to support the market quotation by withdrawing about 100 millions from the market, these 100 millions being bought out of Treasury funds. This means that since 1927 we have dragged along with us a dead weight of 1,000 million marks in the extraordinary budget - a burden which already weighed heavily upon the budgetary administration of my predecessor.

It was ultimately found possible, by drawing on surpluses from the ordinary budget, by absorbing the working fund - a course which was open to objection in view of the position on the capital

market - and finally by cutting out various expenditure items, to reduce this deficit from 1 milliard to 658 millions. For particulars I refer you to the detailed statement which we have provided in the Survey. These 658 millions are now augmented by the expenditure of the extraordinary budget for 1928. My predecessor succeeded in reducing the extraordinary budget to 142 millions and in providing extraordinary cover. This cover however included the repayment of 80 millions loaned to the Railway Company, which has not actually been refunded. The 80 millions have accordingly to be added to the 658 millions indicated above, bringing the extraordinary budget deficit up to 738 millions. These 738 millions, which date for the most part from the 1926 and 1927 votes, are part of the legacy which this Government was obliged to take over. The position has obviously not improved with time. By the end of 1927 we had supplied 400 millions of this uncovered extraordinary budget out of Treasury funds, and this sum was increased to 600 millions by the end of 1928. These 600 millions were, as I say, derived from Treasury funds, that is, from ordinary budget funds; they thus represent a debt of the extraordinary to the ordinary budget and constitute the actual deficit up to the present of the extraordinary budget.

This state of affairs in the extraordinary budget is all the more open to objection for the reason that the position on the capital market also is highly unsatisfactory. (Hear! hear! from the Democrats).

With your permission I will give a brief summary of the position on the capital market. I estimate that in a year of

fairly favourable trade conditions we require from 10 to 12 milliards of capital for long term investment. The internal accumulation of capital falls remarkably far short of this sum. The supply is accordingly from the outset inadequate. We come next to the demand. Here I shall refer to one section only, that of constructional work. In the years 1927-28, as you are aware, we expended about 3 milliards per annum on the construction of dwelling houses, 850 millions of which were derived from public resources, while the capital market was called upon to supply the remainder. I estimate that apart from the construction of dwelling-houses the amount required for industrial and administrative buildings, for roads and other constructional work etc. makes up a second item of 3 milliards or more. Here alone therefore we have a total of 6 milliards in all (or possibly 5 milliards after deduction of the public funds) which represents the calls on the capital market for constructional work alone. This sum alone is probably in the neighbourhood of the total amount of new capital accumulated in Germany.

If then we have satisfied the calls for constructional work, there remains on the capital market no further scope for all the other requirements of industry, agriculture, transport and electricity, and there is no balance whatever for the needs of the public associations or for those of the Reich and the States. In other words : no easing of the capital market is to be expected in the near future, nor do I share the hope that it may be possible to cover productive work by long-term loans or to balance the extraordinary budget.

On various sides it has been maintained that if the Reich has a deficit in the extraordinary budget, this is offset by a very considerable credit item in the form of preference shares. This is true. But it is further maintained that we should sell the railway preference shares, a course which I consider impossible for three reasons. The first reason is that I think it most inexpedient under present circumstances, when the final settlement of the reparation question is perhaps close before us, to forestall a possible future reorganisation of the Railway and to part with some of the Railway property now in the hands of the Reich. But even if no great importance is to be attributed to this reason, the fact remains that, owing to the state of affairs which I have just described, the capital market is unable to absorb any large issues of preference shares. The Railway preference shares are now quoted at 90. This is a price which is much too low for a 7 per cent share offering the highest security and guaranteed by the Reich, and from the point of view of the credit of the Reich the further lowering of the quotation by measures such as the sale of preference shares would be unjustifiable. Finally, there is a third reason for avoiding recourse to this expedient; in my opinion if there is any improvement in the capital market, the first option of issuing new preference shares should be reserved for the Reichsbahn, since otherwise we should deprive the Railway of all possibility of financing new expenditure and make it impossible for new work to be undertaken on capital account. This also would be unjustifiable on economic grounds, so that there can at present be no question of selling preference shares from the holding of the Reich.

These remakrs on the extraordinary budget were also necessary for an understanding of the Treasury position, which has recently been so much discussed and a knowledge of which is so essential for any appreciation of the present situation. By Treasury position we understand the relation of the funds in the coffers of the Reich to the expenditure commitments of the Reich. These funds are composed firstly of tax returns, which usually come in more freely in the first half of the year than towards the end of the Budget year, and secondly of outstanding expenditures. Outstanding expenditures, which are discussed in detail in the Survey, become available when expenditures, cover for which is voted in the Budget, are not effected in full in the course of the Budget year. If for example it is decided in this Budget year to undertake constructional work costing one million (expenditure to the amount of one million marks being accordingly entered in the Budget), but owing to delay in the execution of the work only 900,000 marks is actually expended, we have an outstanding balance of 100,000 marks. With a Budget actually totalling more than 5 milliards, the sums in question are naturally comparatively large. Before the war such outstanding balances amounted to approximately 4 per cent of the actual expenditure, and I assume that in the next Budget year we shall reach a similar level, leaving us unexpended balances to the amount of approximately 250 million marks in hand. These 250 millions are offset by working requirements to the amount of approximately 300 millions, which means that the balances on the one hand and working requirements on the other are approximately equal, leaving a difference of about 50 millions, which may sometimes exceed and

sometimes fall short of this figure. In normal periods this difference can be met by recourse to an overdraft for 100 million marks with the Reichsbank. We should in addition have at our disposal for our cash administration Treasury bills for 400 million marks which we are authorised to issue on the money market and which the Reichsbank rediscounts if necessary. These 400 millions would then serve to finance working requirements in the wider sense of the term (expenditure to support market quotations, unforeseen expenditure, cash credits and similar purposes).

This is the normal state of affairs. But what is the real position today ? In reality you must turn your attention to the following items, which at present have all to be financed out of Treasury funds: 600 millions paid to the extraordinary budget; 100 millions spent to support the market price of Reich loans; 100 millions loaned to the Preussenkasse which the Preussenkasse is not at present repaying; 80 millions loaned to the Railway which the Railway has not repaid and is not forced to repay, since it has the right to demand conversion into a long-term loan; and finally 100 millions advanced in respect of uncovered occupation costs and other cash advances. This makes a round total of one milliard which has to be covered from Treasury funds. The funds always available to counter-balance this total are the Treasury bills for 400 millions which I mentioned above and the overdraft for 100 millions with the Reichsbank, so that 500 millions remain uncovered. It is accordingly necessary, particularly at the end-of-the-month settlements, to cover these 500 millions by short-term borrowing. It is a comical feature of the case that for this

short-term borrowing I am dependent on the readiness to oblige of the Preussenkasse and the Railway, who lend me at short-term what I have advanced to them at long-term, thus allowing me to dispose of my property on certain conditions only. (Laughter). But this is only by the way.

The important point is that this uncovered sum of 500 millions is a permanent source of anxiety at the end of every month. I have accordingly, in order to remedy the evil to some extent, placed with the insurance institutions Treasury bills for 102 million marks maturing in two to four years, and have issued to the banks short-term Treasury bills for 180 millions. (Hear! hear! from the Right). In spite of this, difficulties arise in the second half of the budget year. In the first half of the year tax returns are much in excess of expenditures; in the second half however, the position is so changed that some pressure is felt in connection with the last end-of-the-month settlements of the Budget year. This is due to the former administration of the budget and particularly to the deficit in the extraordinary budget.

In the meantime the position has been aggravated owing to trade developments. Our budgets today are much more susceptible to trade influences than they were before the war. On the one hand most of the direct taxes which react so freely to trade conditions were not taxes of the Reich and accordingly did not figure to any important extent in the budget of the Reich; and on the other hand trade influences on the direct taxes, and on income tax in particular, were to a very large extent eliminated by the use of a three-years' average. We have now direct taxes in the Budget which are

particularly susceptible to trade influences, while in addition we have much shorter trade cycles, with a much more rapid and abrupt alternation between periods of boom and depression. All this strengthens the influence of trade conditions on the Budget.

A further factor is the complete change in expenditure. A large part of the expenditure is for social and welfare purposes, which again are highly susceptible to trade influences. This has been particularly marked this year, when the number of unemployed rose unexpectedly to 2½ millions. As a result of the persistent frost and the declining market, unemployment reached a level not anticipated in the previous Budget, which made no provision for any such rise or for the expenditure entailed.

This unemployment reacted in the first place on the office of the Reich for unemployment insurance. The position of this office has developed as follows. On November 1, 1928, it had still an emergency reserve of 50 millions derived from funds of the Reich. In addition it was able during the summer to accumulate reserves to the amount of 107 millions. These 157 millions were then completely exhausted in December and January. (Hear! hear! from the Nationalists). Under the unemployment insurance Law the office is entitled, or rather the Reich is obliged, to make available the credits required for the maintenance of the insurance system. Owing to the speedy and marked rise in the unemployment figures, these credits will total approximately 250 million marks by the end of the Budget year. (Hear! hear! from the Right). As I have already explained, the 1928 Budget quite naturally - and this is by no means a reproach - made no provision for these 250 millions.

(Hear! hear! from the Nationalists). For it was then to be expected that, although the unemployment insurance office might call on the Reich during the winter to the extent of 50, 60 or even 80 millions, these sums would be repaid with the fall of unemployment in the summer.

As I say, owing to the entirely abnormal developments on the labour market the position is quite changed; the Reich is now called on to produce the 250 millions, which, again quite naturally, can only be covered from Treasury funds and further aggravate the Treasury position for 1928.

But the 1929 Budget - and I now ask your attention on this point - is very differently placed. We can no longer expect the accumulation of reserves by the insurance office (and during the summer it is possible that reserves may again be accumulated) to be in any way adequate to cope with insurance contributions in the coming year. We must expect the office again to call on the Reich for comparatively large sums in the course of next winter. (Hear! hear! from the Nationalists). We have accordingly been obliged to include in the extraordinary budget for 1929 an additional sum of 150 millions (Hear! hear! from the Nationalists) in respect of the amount which the unemployment insurance is expected to borrow.

I have entered this sum in the Budget, although from the purely accounting point of view it is inadequate. For as I have already explained, during the present winter the unemployment insurance office drew in all on the 157 millions of its own plus 250 millions borrowed from the Reich, while it is not to be

expected that in the course of the summer the whole of these amounts can be again accumulated and refunded. But I entered this sum in the expectation that during the coming year it may be possible to amend the unemployment insurance Law; amendment of the kind is necessary on various grounds (Hear! hear! from the Right) and should make it possible for us to manage with an amount such as that shown in the estimates.

As cover for these 150 millions I was obliged to provide a corresponding revenue item in the extraordinary budget, and this I found by entering on the revenue side of that budget a sum of 164 millions which I intend to hand over this year to the social insurance offices in the form of 5-year bonds.

I may perhaps be allowed to say a few words on this subject, since it has been the source of public attacks both on myself and on my colleague Dr Wissell. These attacks are, I think, based on an entire misconception of the real facts of the case. It is expressly provided that the insurance offices, by an arrangement of long standing, are obliged to invest up to 25 per cent of their assets in fixed interest-bearing loans of the Reich and the States. This arrangement has never been carried out in full, and in view of the situation on the capital market and the position of the extraordinary budget it is only fair to require its full realisation in gradual stages. Accordingly I thought it reasonable that these 164 millions, which represent the capital investments of the insurance offices and the accumulation of reserves, should in this year of crisis go to purchase 5-year bonds of the Reich. I am entitled, even in accordance with the strict principles of budget

law, to use the proceeds from the 5-year bonds to cover the extraordinary liabilities of one year. In the ordinary budget the 164 millions appear to their full amount.

It has been said that these 164 millions are a wrong done to the insurance offices; the offices, it is said, will not be able to finance the construction of dwelling-houses to the necessary extent; my proposal is a purely capitalist measure. The accusation was, I think, even formerly without justification, for one may require a certain degree of consideration for the most urgent needs of the Reich from these offices, which are set up under public law. But today the accusation has no further point whatever, for the 164 millions now serve again exclusively for purposes of social policy and for the maintenance in the coming winter of the legislation relating to unemployment insurance which has this year been so severely shaken by the extraordinary happenings on the labour market. I accordingly consider the measure to be entirely justified, but only as cover for the extraordinary budget, for I entirely share the view that ordinary expenditure should not be covered by means of loans.

These 250 millions accordingly complicate the position of the Treasury still further. At the end of March short-term credit facilities will have to be sought for an uncovered amount of approximately 400 millions. I should like however to make it quite clear that these facilities are already secured. There can be no question of failure to fulfil the liabilities of the Reich. And I should like to add that, although the Treasury position is difficult, there is no justification for spreading exaggerated rumours,

as though the position of the Treasury was in any way a menace to our currency. (Very true! from the Social-Democrats, the Democrats and the Centre). The sums borrowed at the end of the month are raised in order to satisfy a temporary shortage of media of payment. By the 10th of the month approximately they are repaid for the most part or in full out of tax returns. Only malevolence or crass ignorance can write the danger of inflation on the wall, in order to generate panic, and to use the terrified public as tools for political intrigue. (Hearty applause from the middle benches and the Left). It is not a question of supplying money by the uncovered issue of notes. We apply to the money market and the banks asking them to make available to us the funds at their disposal (which are accordingly available on the open money market) for this short term of 14 days. After a few days, as I say, the funds are repaid. When private borrowers approach the Reichsbank at the end of the month, as they always do, for discount facilities or loans against collateral, the discount is naturally accorded under the strict regulations of the statutes of the Bank; and in a few days' time, when the private individuals again have money in hand, they cover their liabilities to the Reichsbank. The responsibility of the Bank then terminates, and there can be no question of any inflation of the currency circulation. It is, I repeat, a matter for deep regret that some politicians, even with the present position of our foreign policy, do not scruple by gross exaggeration to prejudice the credit of the Reich. (Hearty applause from the Social-Democrats, the Democrats and the Centre. Shouts from the Right). I can only regret

extremely that irresponsibility, such as I consider this to be, is possible. I am confident that the large majority of the Reichstag at least is one with me in most definitely refuting imputations of the kind.

Under these circumstances it is obvious that the extraordinary budget must be reduced as much as possible and must be covered by actual revenues and not by hope of loans. I have accordingly proposed the insertion in the fundamental Budget Law also of provisions calculated to prevent any unforeseen inflation of the extraordinary budget. In the first place I have proposed that the Finance Minister should be authorised to forbid the expending of any sums in the extraordinary budget, even when voted in this House, unless cover for such sums is actually available beforehand. Secondly, I have proposed that no contract for more than one million and extending beyond one financial year should be concluded by the departments without the previous authorisation of the Finance Minister. This is obviously no pleasant task for the Finance Minister, nor is it calculated to lessen friction with the departments. But I am confident that here I may rely on the support of the Reichstag.

These legal measures must be supplemented by careful nursing of the loan market. It is essential that in the near future recourse to the loan market by the Reich should be completely avoided, and that the States and communes also should limit themselves to the utmost in any calls which they may make on the market.

I have already explained that I must require the insurance offices to fulfil the provision according to which they are

obliged to invest 25 per cent in fixed interest-bearing loans of the Reich and the States. I do not know whether it would not be advisable to consider whether the savings banks also should be compelled to employ part of their monthly increment by acquiring fixed interest-bearing securities of the Reich and the States up to a definite percentage. I am aware that difficulties exist on this very point. But I can imagine that these difficulties might be overcome, either by amicable agreement with the savings bank associations and with the States, or by legal enactments.

So much for the extraordinary budget and the position of the Treasury. However grave the situation may be there is, I repeat once more, absolutely no ground for panic.

With your permission I will now proceed to consider the ordinary budget. This budget is dominated even more than its predecessors by the reparation charges, which now represent a liability of 1,540 millions in the budget. 1,540 millions means a rise of 312 millions as compared with the previous year. You will understand that at the present time, when the Experts in Paris are discussing questions of vital importance for Germany and at the same time of decisive significance for the world economy, I shall not dwell on material aspects of the reparation question. The personality of our experts is, I think, sufficient guarantee that no point will be left unnoted which Germany can rightly claim to have considered. As yet no decisions of the Experts are known. The time has accordingly not yet come for the Governments to speak. I need not emphasise the fact that the Government will bear in mind the full gravity for the future of our nation of a signature

voluntarily given, when it has to decide on the results of the Conference of Experts.

Up to the present Germany has balanced her Budget under most difficult circumstances: for in 1923 - and this point requires to be constantly reiterated - we contrived from our own resources to stabilise the currency and restore budgetary balance. The balance then restored has since been maintained. The confidence thus acquired must not be shaken. For this reason it is absolutely necessary to maintain the balance of the Budget, and for this reason alone all thought of a deficit Budget must be rejected when the Budget is compiled. And if this reason were not in itself sufficient, a deficit Budget would be precluded by the fact that administration with a deficit would bring the whole budgetary system into disorder and would mean the beginning of a state of instability the end of which could not be foreseen. A deficit Budget is also out of the question for the reason which I have already explained to you, our present cash difficulties having developed out of the former deficit in the extraordinary budget. The consequences of a deficit make it an imperative command that the Budget must be genuinely balanced. Were this command not obeyed, the danger might indeed arise that the Reich would be unable to meet its liabilities in full.

The balance must accordingly be genuine. Genuine balance however is again difficult owing to the legacy which the Government was obliged to take over. The calculation has frequently been made: 312 millions more in reparation charges, and on the other side the disappearance of non-recurrent revenues in the form of 175 millions

in seigniorage on the coinage and a surplus of 125 millions used last year to balance the ordinary budget - a system of budgeting which was at the time criticised from various quarters in this House and elsewhere. I should like specially to emphasise - and you will find this point explained in great detail in the Survey - that fundamentally since 1925 no Budget has been compiled which really balanced according to the strict principles of Budget law. The Budgets since 1925 have in reality only balanced by the inclusion of the surplus of approximately half a milliard obtained in 1924. (Applause). As I say therefore, upon taking over this legacy we were obliged to reckon in advance with a deficit of at least 600 millions.

It was from the outset clear to me that genuine cover must be provided for this deficit. I am still opposed to any balancing of the ordinary budget by means of loans. I am likewise most definitely opposed to any other artificial semblance of cover for the ordinary budget. This means that the ordinary budget must be balanced, not by any reshuffling, and not by using non-recurrent revenues as cover for ordinary expenditure, but by real reorganisation. This however is extremely difficult, the general situation being extraordinarily unfavourable to any such reorganisation.

The first point to be considered is the extent of taxation in Germany. In view of the shortage of capital in Germany, I consider the level of tax charges to be already open to objection, (Hear! hear! from the Right) and I make no secret of my view. I am speaking of the total burden of taxation; for in view of the shortage of capital, the essential question is not so much how the

taxes are produced as the absolute level of the total charge: and this total charge can only be supported with difficulty. (Applause from the Right). I should like expressly to point out that a reduction of indirect taxation would not be in the interests even of the workers. An excessive total burden of taxation, even when it is produced by unduly high rates of direct taxation, means when all is considered a reduction in our capital available for productive purposes. (Applause and interjection from the Right: "About time you did realise it!"). This is a loss which ultimately reacts very strongly on the working classes. (Hear! hear! from the Right). For under certain circumstances it may mean a slower accumulation of capital. Such slower extension of production, the slower investment of capital in new means of production, naturally means slower progress in the capacity of our business community to provide work for the unemployed. (Hear! hear! from the Right). Accordingly as I say, the matter is of interest to all circles connected with enterprise and is therefore eminently a concern of the working classes. (Very true! from the Right).

This is however specially true - and here we come to the second great difficulty - in our present situation when trade is declining. I assume - although I must ask not to be pinned down to figures - that the difference between a boom and a depression in Germany is about 10 to 12 milliard marks. I realise therefore that when trade is declining the burden of taxation is found to be specially heavy. I also realise that in a period of depression the problem of the inadequate accumulation of capital becomes extraordinarily important. The first step to be taken therefore

- and here I am one with all sections of this House - is that of economy, that of a reduction in expenditure wherever this is possible. (Hear! hear! from the Right). The remark is of course a commonplace and is not contradicted from any quarter of the House; but it is a commonplace which becomes of great practical importance when put into execution.

You will allow me to show you very shortly that the path of economy and expenditure reduction is a difficult one. For the sum on which savings can be realised is not remarkably large. At first sight it would appear, with a 10 milliard Budget before one, that a cut of 300 to 400 millions would be a mere trifle. But analysis of this 10 milliard Budget throws quite a different light on the matter. From these 10 milliards transfers to the States, including police costs, are first subtracted to the amount of approximately 3½ milliards; 6½ milliards then remain. From these 6½ milliards about ½ milliard has to be deducted as interest on the public debt, leaving 6 milliards. In connection with the interest on the public debt, it must be remembered that most of this is in respect of revalorisation debts. Of the remaining 6 milliards 3½ milliards are employed for the liquidation of the war, that is, for the fulfilment of the London Agreement, for internal war charges, and for pensions to ex-combatants and members of the old army. This leaves a balance of 2½ milliards in all. From this amount I deduct a further ½ milliard representing the cost of the finance administration which is required for the production of revenues. There then remains a sum of 2 milliards in all, which represents the starting point for any cuts to be made. Of

these 2 milliards more than 400 millions is expenditure on personnel which is fixed by law and can accordingly hardly be changed to any great extent without legislative amendments. And the 2 milliards has further to provide for all outlay on the defence forces (750 millions), for social expenditure (800 millions), for economic and cultural purposes, and for expenditure on the administrative departments, beginning with the President of the Reich.

As you see, the sum which is actually open to curtailment is restricted. It is no good starting off from 10 milliards when possible cuts are discussed.

Now comes the question: how is this Budget compiled ? It balances at 9.9 milliards. The ordinary budget expenditures are this year 359 millions higher than they were in 1928. But if we deduct the expenditures to the amount of approximately 70 millions taken over by the ordinary from the extraordinary budget for the first time in 1929, and the additional transfers to the States of 64 millions, we find that the net additional expenditure of the Reich as compared with 1928 is 225 millions, or approximately 80 millions less than the increase in reparation charges.

In other words, leaving reparation payments, transfers to the States and transfers from the extraordinary to the ordinary budget out of account, the ordinary expenditures for 1929 are about 80 millions less than those for 1928. (Hear! hear! from the Democrats).

I will not here discuss the expenditures in detail; I will only mention a few items in which I have made cuts.

36 millions have been deducted from the pensions estimates. This is the first cut of any size to be made in these estimates. (Interjection from the Communists: "The Law reducing pensions does not come into effect until the new officials Law.").

I do not understand the objection. The estimates have been reduced by 36 millions.

The estimates of the Ministry of Defence have been reduced by 30 millions. In the estimates for the Ministry of Food Supplies and Agriculture a saving - a temporary saving, as you will later see - of 45 millions was possible, (Hear! hear! from the Right) for the reason that last year the emergency programme of agriculture contained certain extraordinary expenditures which do not recur this year.

From the Finance Ministry of the Reich 5 millions have been deducted, and 50 millions from the public debt. This cut of 50 millions is explained by the fact that I am in a position to carry to the sinking fund for loan liquidation debt 50 millions of the Reich loan repurchased on the market, this being a 6 per cent security which can be placed in the sinking fund for the purpose of amortisation payments in subsequent years.

The public has said that cuts have been made, but that they are not sufficient. Will you allow me in the first place to quote very briefly what the general reporter in the Reichsrat has said on this subject. Ministerialdirektor Dr Brecht spoke as follows:

"In the Reichsrat also there was at first every intention of substituting expenditure cuts for the new taxes and the reduction of transfers. This intention however proved impossible of execution. I believe that the Reichstag also,

even with the best intentions with regard to expenditure cuts - and we wish it every success in this direction - will come to no other conclusion."

I should like to make it clear that I do not entirely share this view. In reality the genuine cuts made by the Reichsrat amounted to only 20 millions, and these 20 millions were not sufficient to cover the east Prussian programme.

We have for the time being inserted a blank heading in the estimates for East Prussia, because we take the view that the East Prussian programme will have to be settled here on the basis of a special law. The measures in question are primarily intended to ward off the collapse threatening many agricultural undertakings. Their special object is accordingly to ease the burden of agriculturalists, to facilitate long-term borrowing, and to support the real estate market in connection with arrangements calculated to prevent the agricultural land of concerns overburdened with debt from being lost to production. The Government of the Reich has pressed on these negotiations and has kept constantly in touch with Prussia. It is convinced that the large majority of the Reichstag also will be prepared to make sacrifices for tasks of such vital importance. We are, as I say, of opinion that it is essential to give concrete expression to these tasks in a law, which must then make the necessary proposals for the provision of cover for the costs entailed. As I have already explained, an additional vote is later to be expected in respect of this heading, in order to assist East Prussia and its agricultural crisis.

In the Reichstag also it is generally felt that new cuts must be made. I welcome these intentions and shall give my support to

any cut which is in any way economically reasonable and socially tolerable. (Hear! hear!). But may I add just one word. When I say "economically reasonable" I mean that we should be careful to see that the cuts are genuine and really cancel expenditure - that they do not merely imply an uneconomic reshuffle. (General applause). For it would be quite useless if now, in order to avoid an unpopular tax measure, we forcibly curtailed this year's Budget, with the result that next year it automatically rises (Hear! hear!) and perhaps imposes on us next year, the development of which it is at present impossible to foretell, heavier burdens than those which we now have to bear. (Applause). In my opinion this would be a short-sighted policy which is to be avoided. It is true that the present year is one of crisis, since it is characterised by the sudden rise in reparation charges in conjunction with the disappearance of non-recurrent revenues. It is true that economic reason may be expected ultimately to win the day throughout the world, so that we may look for an easing in our burdens during the next few years. But for reasons which I have already cited when arguing against any sort of deficit Budget, I consider it impossible to construct the Budget at the present time on the basis of such expectations. The Budget, I repeat, must be properly balanced; otherwise I can accept no responsibility for it.

The second method used to cover expenditure is the curtailment of transfers. I hold that in this year of crisis such curtailment of the transfers to the States is justified. If we have to bear the full burden of reparations, this burden cannot be borne by the Reich alone but must be shared by all public bodies. And I believe

that curtailment to the extent proposed by me is entirely tolerable. As compared with the estimates for 1928, the share of the States is unchanged. This means that the curtailment cannot serve as an argument for a further increase in "real" taxes. The States are to receive as much as was promised them in the 1928 Budget. They were obliged to calculate on this basis. Beyond this figure additional transfers, unless revenues develop particularly favourably, are not to be given to the States this year. The States must accordingly be required to manage with these sums and to refrain from any increase in the "real" taxes. (Interjection from the Economic Party: "A Utopian fancy without a prohibiting law"). On the other hand we do not fail to realise that naturally a large part of the most important administrative expenditure, in particular the whole of the outlay for cultural purposes, is borne by the States. Their grant requirements for schooling amounted in 1926 to 1½ milliards. For justice they spent out of tax resources ¼ milliard, for the police ½ milliard, for general welfare work 1½ milliard, for housing and settlements ¾ milliard, together with 700 millions for roads and communications. For these purposes alone, and they do not include any of the expenditure for internal administration, the States incurred expenditure for 5½ milliards, as against transfers totalling about 3 milliards. But as the taxes levied by the States themselves brought in as early as 1927 approximately 4 milliards, there is justification for requiring the States to agree to this curtailment of transfers without any further increase in the "real" taxes. It is true that transfers have risen. Since 1927 they have increased by only 200 millions, but since

1926 by more than ½ milliard. On the other hand a further point to be remembered is that the additional costs borne by the States in respect of the salaries increase total approximately 700 millions. But, as I say, I feel sure that the majority of this House also will come to the decision that a reduction of the kind in transfers must be undertaken. The only question is, whether the curtailment is of the right size. As I have already explained, from my point of view the important thing was to choose an amount which could not offer further inducement for an increase in "real" taxes; for it would obviously be pointless to ease the position of the Reich on the one hand and on the other hand to impose new charges on enterprise in general, which has to bear all the taxes levied, in the form of heavier "real" taxes. (Applause). The Reichstag must accordingly examine the proposal from this point of view and must decide whether a further curtailment of transfers is possible, as I have said, without unwelcome consequences where the States are concerned. For it is also true that the financial position of the States is extraordinarily strained, that Prussia has a Budget deficit of about 25 millions, Bavaria 44 millions, Saxony 25 millions, Baden, Thuringia, Hesse and Hamburg from 11-12 millions. The question is therefore extraordinarily difficult and we shall have to consider very carefully whether it is advisable for the Reichstag to exceed the Government proposal.

Finally I thought it possible to introduce an increase in the revenue estimates, amounting in the case of the revenues retained by the Reich to approximately 90 millions. Here however I should like expressly to state that this higher estimate undoubtedly

implies a grave risk, in view of the trade situation, and that for this reason also it is essential that in other respects the Budget should be properly and genuinely balanced.

After all these cuts, the curtailment of transfers and a higher estimate for revenues, a deficit to be covered by new taxes remained to the amount of 379 millions. I do not think it necessary to go into details here of the proposals submitted to you for the provision of cover. An important part of the proposals relates to the taxes on alcohol. It is proposed to increase the beer tax by 165 millions and the receipts from the alcohol monopoly by 90 millions.

In regard to the latter proposal, I consider this tax to be the most tolerable of all and the least oppressive for enterprise as a whole. With this tax proposal a number of measures are connected the object of which is to prevent the extensive fraudulent practices of the past, and which appear to me to be absolutely necessary in the interests of a high moral standard in tax matters. At the same time attention has been paid throughout to the legitimate needs and desires of the small distillers, so that the speedy passing of this proposal will probably encounter very little difficulty.

In regard to the beer tax, the proposals have already given rise to fierce disputes among the general public. I should here like to remark quite generally that when passing the whole of our tax system under review it has always seemed to me a defect that we have incorporated in the system enormous charges which bear more heavily upon us, without first exhausting the reserves afforded by

the taxes on alcohol. This is an accusation levelled against us not only by German financial experts, but very frequently from abroad as well, the reason being that the British taxes on alcohol bring in four times as much and those on beer even five times as much as the German taxes. Comparison with England is of course not feasible in this purely mechanical manner. England, it will be remembered, has no tax on wages and does not impose direct taxes down to anything like the low level of income which we allow as the minimum of existence for the masses of the population. But it is nevertheless true that I would rather, for example, see the sugar tax disappear from our tax system, (Hear! hear! from the Social Democrats) than I would shrink from increasing the beer tax. (Applause from the Left). But these also are problems which require to be discussed in detail when we see the extent of the cuts which are thought to be reasonable by the majority of this House.

I have proposed that the succession duties should be raised by 20 millions and the property tax by 104 millions. These 100 millions include the much-discussed 40 millions in respect of supplementary payments for 1926.

Among the general public it has caused some surprise that I should include the property tax in the Budget Law instead of proposing actually to amend the property tax Law. As deputy I always maintained that a certain elasticity was lacking in our whole system of Budget compilation and administration. Particularly in view of the very marked effect of trade conditions, it is, I think, necessary to adopt a somewhat more elastic procedure in future and

consequently merely to include in the Budget Law certain tax increases or reductions where the system of collection is in itself simple enough to allow of such incorporation. It is for this reason that I have incorporated the property tax in the Budget Law and not in the Law concerning the tax itself.

Finally, in fulfilment of the promise given last summer, we have on the other hand proposed a certain reduction in the income tax, entailing an abatement of about 5 per cent for incomes between 8,000 and 25,000 marks.

The only thing which in conclusion I have still to say on this section is as follows: I have already explained my opposition to the introduction of apparent cuts or failure to provide for sufficient cover. I warned you also, in spite of all difficulties, against balancing the Budget so narrowly that it may end with a deficit, and I uttered this warning precisely in the interests of a financial policy which must ultimately contemplate a reduction in the burden of taxation. I take the view that we must utilise the relief to the Budget afforded by the consequences of the Paris negotiations in order to reduce the burden of taxation. And this we shall do with the definite object of extending production; that is to say, as I am always repeating, we shall do it with the definite object of helping the working classes. I have also said that the absolute burden is too heavy. But if you desire reform, if you really want in future to obtain such reduction, you must not destroy the means of access today by rejecting at the outset all tax proposals and so restricting the Budget that any Finance Minister is deprived of the possibility of an organised reduction

in taxation. It is in the interests of our whole economic life and of all circles connected with enterprise not to make such future tax revision impossible today from fear of unpopularity. One should not commit suicide from fear of death and one should not, in order to bridge over the difficulties of any one year, create new difficulties for the following year. I accordingly believe that in connection with all expenditure cuts the Reichstag must examine most gravely whether the reductions proposed are genuine and permanent, whether the Budget will be properly and genuinely balanced, so that the position of the present Budget is sound - for this Budget will contain no cover in the form of non-recurrent revenues or unrefunded debts; only if these conditions are fulfilled shall this Budget be passed by you, and this, as I have already explained, for the reason that it must not be made impossible in future to fulfil the urgent need of the whole country for tax relief. A part of any such reform would ultimately be the elucidation of the financial questions outstanding between the Reich and the States. These questions relate to the compensation for the railways of the States, for the waterways and for territory ceded by the States; they further relate to the transfer to Bavaria in respect of the beer tax and the postal indemnity claimed by Bavaria and Wurtemberg. As you are aware, a number of States have lodged complaints with the Staatsgerichtshof, all the questions at issue being connected with the revalorisation and claims for compensation. I hold that the Staatsgerichtshof is not quite the right channel since, however the Staatsgerichtshof may decide, we may be brought to a point where we are compelled to alter our

whole Budget, the Budget of the Reich and the Budget of the States, to a point where we may be obliged to seek compensation in the inter-State financial settlement and in tax policy; in short, I hold that it can only lead to new difficulties. Accordingly it is the endeavour of the Government of the Reich to come to an arrangement with the States so that the imperative claims of the individual States may be settled in a manner compatible with the financial position of the Reich. Negotiations to this effect have been opened and I hope that we shall succeed in coming to some arrangement with the States on these questions. In this connection also the last word is spoken by the Reichstag, which has already decided that the definitive settlement of all such questions must be effected through legislative channels.

Finally, the passing of the Law now before you for the greater uniformity of taxation also comes within the scope of the reform; the object of this Law is to facilitate the simplification of the whole administration and to make it possible to compare the burden of "real" taxes, in order in this way to allow of the institution of further measures.

All the questions which I have just mentioned (and the settlement of them all) are necessary preliminaries to the elaboration of the definitive inter-State financial settlement, so that the only possibility open to us at present is to extend the present transitional settlement. The Law on this subject will likewise be submitted to you after it has passed through the Reichsrat.

And now, I shall with your permission, bring my remarks to a close. I think that I have put our financial position before you

very frankly and without mincing matters. Nobody who followed the earlier course of developments could be unaware that it is only with extraordinary difficulty that this Budget can be balanced, and I may say in all confidence and without fear of contradiction that the Budget now before you was more difficult to compile than any Budget since 1924. These technical difficulties were to some extent responsible for the late presentation of the Budget. But the delay is far more the result of political circumstances. In view of the fundamental readiness of all parties concerned to establish the Government on a sound basis, there was reason to expect that this sound basis would be duly found, in which case the acceptance of the Budget by the Cabinet would have meant the approval in principle of the parties represented in the Cabinet and so of the large majority of this House. The speedy discussion and acceptance of the Budget would then have been ensured. These political hopes were not fulfilled and the establishment on a sound basis of our political situation - which from the point of view of foreign policy also is so urgently needed - is not yet attained. (Hear! hear! from the Nationalists). This has delayed the presentation of the Budget. The Government has accordingly submitted a draft emergency Budget, which the Reichsrat has already passed and which I ask you to vote in this House also.

The financial policy of the Reich during the last few years has been subjected to attack from various quarters. I have much sympathy for this criticism. I myself, on the occasion of my speech as leader of the Opposition, made copious use of it in connection with the supplementary Budget, (Laughter) and I

rejoice that my criticism is borne out today in quarters from which I should never have expected support. (Laughter from the Left). This should however not disturb one's sense of responsibility. Under the parliamentary system the Government must undoubtedly take the lead. It has the duty of opposing suggestions which it considers to be mistaken; it has also the duty of resisting measures which it holds to be inadmissible, even at the risk of political extinction. In the matter with which we are here occupied, responsibility lies primarily with the Finance Minister; his responsibility is a special one. I am fully conscious of this and shall not hesitate to intervene whenever this seems to be necessary. But I can claim for the present Cabinet that it has done its duty in this respect. A short time ago we informed both the parties and the Budget Committee that the Government was determined, in view of our financial position, to agree to no proposals entailing new financial and economic burdens. On this point we stand firm even at the risk of destroying our political existence.

But on the other hand we do not wish to obscure the fact that responsibility ultimately lies with the Reichstag and with the parties; for the Reichstag, the parties, and the majority in the Reichstag have to decide upon acceptance or rejection. Not Schlieben, nor Reinhold, nor Köhler is responsible for recent budgetary administration, but Westarp and party, von Guérard and party, Scholz and party, etc. (Interjection from the Middle benches: "And now Müller and party!" Much laughter). Certainly, Müller and party. Not only the Government parties are responsible, but also,

particularly on questions of financial policy and Budget compilation, the Opposition, insofar as this can in any way claim serious consideration for its criticisms or can claim under certain circumstances the assumption of Government responsibility for itself. So long as my party was in opposition, we were able to assume our share of responsibility. It is to this sense of responsibility, that I appeal in this solemn hour. Many and not inconsiderable tasks have to be solved, if the financial position of Germany is to rise above the difficulties by which it is now surrounded and if the future is to be assured. First in importance come the decisions, fraught with future significance, which have to be reached in Paris. The report of the Experts will in any case demand new and responsible action on our part. Let us see to it that with gathered strength we may approach the tasks immediately before us and may overcome the difficulties by our united efforts. (Hearty applause from the Social Democrats).

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 25, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT FEBRUARY 28, 1929.

(cf. DOC. 306)

The following is a translation of the balance sheet of the Rentenbank as at February 28, 1929, as published in the Reichsanzeiger No. 65 of March 18, 1929.

	January 31, 1929	February 28, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.1.29 Rt.M. 1,199,844,000 as on 28.2.29 Rt.M. 1,199,844,000		
Loan to the Reich	662,566,298.29	657,326,625.64
Outstanding claim (Rentenbank-Kreditanstalt)	36,681,168.70	25,770,320.96
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	21,556,045.38	32,521,295.71
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	3,505,300.15	3,522,081.16

LIABILITIES	January 31, 1929	February 28, 1929
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	522,245,302.--	517,005,630.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	52,738,038.55	52,738,038.55
Reserves	5,825,217.22	5,824,037.22
Miscellaneous liabilities	634,749.95	645,304.16

Under § 7c of the Law on the liquidation of Rentenbank notes, the share of the Reich in the net profits of the Reichsbank from 1928 (RM 5,239,672.65) were paid to the sinking fund, at the Reichsbank, the loan to the Reich and the Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amount have accordingly been redeemed:

Rentenmarks	275,005,001.90	under § 7a of the Law
"	255,000,000.--	" § 7b " " "
"	82,750,870.75	" § 7c " " "
"	880,334,583.--	" § 11 " " "
total Rentenmarks	1,493,090,455.65	

Transl. 6828.
QW.

I.I.9.414 DOC. 310

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 26, 1929.

REPORT OF THE DEUTSCHE RENTENBANK FOR 1928

(cf. DOC. 290)

The following document is a translation of the report of the Management of the Rentenbank published today.

Following the complete redemption of the "economic credits" during the preceding business year, the work of the Deutsche Rentenbank during the year under review - apart from the administration of its funds - lay solely in collaborating in the further liquidation of the Rentenbank notes in circulation, which were issued in respect of the loan to the Reich. The Rentenbank fulfilled its duties in this connection by raising the funds required for the redemption of the Rentenbank notes issued in respect of the loan to the Reich, in conjunction with the Reich in accordance with the legal provisions.

	RM
I. At the beginning of the year the loan to the Reich stood at	810,107,205.14
During the year under review the following sums were paid into the sinking fund (§ 7 of the Law):	

		RM
Brought forward		810,107,205.14
Interest payments of the persons and concerns subjected to the agricultural charge (§ 7a)	67,029,047.15	
Payments of the Reich (§ 7b) ...	60,000,000.--	
Share of the Reich in the net profits of the Reichsbank in 1927 (§ 7c)	5,511,859.70	132,540,906.85
thus reducing the loan to the Reich as at December 31, 1928, to		677,566,298.29.

It was possible to devote the whole of the share in the net profits of the Reichsbank for the year 1927, due to the Reich in the year under review, to the redemption of the loan to the Reich, as provision has already been made for the sum payable subsequently in virtue of § 11 paragraph 4 of the Law by the Rentenbank to the Reichsbank in respect of interest on the liquidation credits, which the Reich has to refund out of its share in the net profits of the Reichsbank (see report for 1925).

II. For the further liquidation of Rentenbank notes in circulation the Reichsbank withdrew from circulation notes in respect of the RM 132,540,907.-- paid into the sinking fund, and destroyed them in conjunction with the Rentenbank.

Accordingly the circulation, which totalled	RM
on December 31, 1927	739,866,707.--
was reduced by	132,540,907.--
to	607,325,800.--
It was increased by	2,000.--
owing to the fact that of the Rentenbriefe issued GM 2,000 returned into the possession of the Bank, against which Rentenbank notes to the value of RM 2,000 returned into circulation.	
Accordingly the circulation on Dec.31,1928 totalled	607,327,800.--.

On the same date there were in circulation Rentenbriefe to the value of GM 156,000 as against GM 158,000 in the previous year.

No Rentenbank notes were called in during the year under review. Notes denominated in 1,000, 500 and 100 Rentenmarks of the first issue without a figurehead design, and notes denominated in 50, 10 and 5 Rentenmarks of the second issue with a figurehead design therefore continue in circulation. The printing of 5 Rentenmark notes begun in 1927 was completed in 1928. 9,496,000 notes fit for circulation were obtained, all of which were put into circulation owing to the continued scarcity of small currency.

III. It was possible during the year under review to realise a part of the outstanding liquidation credits, in which the funds of the Rentenbank are largely invested and which we have transferred to the Rentenbank-Kreditanstalt for collection. Consequently it was possible to discharge the debt still outstanding to the Rentenbank-Kreditanstalt at the end of 1927 in the course of the year, and in addition to accumulate a cash reserve of some RM 12,000,000.

IV. The Balance Sheet calls for the following observations apart from those already made in respect of individual items:

The holdings of Rentenbriefe have been reduced following the reduction of the Rentenbank notes in circulation, and can be adjusted to the present circulation by further redemption.

On the liabilities side a sum of RM 241,097.56 has been deducted from the item previously entitled "reserve for printing of new Rentenbank notes and for other unforeseen expenditure" for the printing of the new 5 Rentenmark notes already referred to.

In the future also expenditure for the replacement of worn-out Rentenbank notes - particularly those denominated in 50, 10 and 5 Rentenmarks - is to be expected, but we hope that the sum available will suffice to cover the requirements which we are called upon to meet. For this reason we do not consider it necessary to reconstitute the reserve for this purpose. On the other hand we have taken RM 1,000,000 from the reserve out of profits from 1925-27, which totalled RM 52,738,038.55, and added it to the item "reserves", which now serves as a general designation. From the experience gained in the management of the outstanding liquidation credits, which are shown on the assets side under "outstanding claims", it is to be feared that losses will be incurred in connection with these credits, as our credit agents include debtors who are not admitted to credit transactions with the Rentenbank-Kreditanstalt.

V. With regard to the Profit and Loss Account it should be noted that the costs of management of the Rentenbank and the Rentenbank-Kreditanstalt, which as before have an identical staff, have been divided in such a way that 1/10 of the combined total costs are borne by the Rentenbank. This corresponds approximately to the extent to which the joint business and administrative machinery is still utilised in the services of the Rentenbank.

We propose to transfer to the Rentenbank-Kreditanstalt, in accordance with § 9 of the Law, the net profit amounting to RM 2,781,834.58 together with a further RM 7,218,165.42 to be taken from the reserve out of profits, making a total of RM 10,000,000 which is to be transferred in cash.

In 1927 we refrained from making such a transfer on the ground that it was not yet possible to foresee the liabilities which the Bank would have to meet in virtue of the Rentenbank Decree and the Law on the Liquidation of Rentenbank Notes, and to a certain extent this argument still holds good. Nevertheless we believe that it can now safely be assumed that the reserve out of profits remaining after the transfer, together with the general reserves, will suffice under all circumstances to meet these liabilities of the Bank. We are further encouraged in this opinion as it appears unlikely, from the prospects of the German capital market during the next few years until the winding up of the Rentenbank as foreseen by ourselves and others, that our 5 per cent Rentenbriefe will be bought by the public to any significant extent. But this is one of the elements of uncertainty for which we have allowed during the year recently concluded.

THE MANAGEMENT OF THE DEUTSCHE RENTENBANK

Kissler Lipp Ssagunn

We agree with the foregoing report of the management and approve the proposal for the distribution of the net profit and other available funds to the amount of RM 7,218,165.42.

THE MANAGING BOARD AND BOARD OF CONTROL
OF THE DEUTSCHE RENTENBANK

Lentze

President.

BALANCE SHEET OF THE DEUTSCHE

Assets

	RM
Charge on agriculture for 2,000,000,000.- fine gold marks	2,000,000,000.-
Holdings of Rentenbriefe 1,199,844,000.- fine gold marks	-
Loan to the Reich	677,566,298.29
Outstanding claims (Deutsche Rentenbank-Kreditanstalt) ..	46,148,752.95
Cash, credit balances on Reichsbank giro clearing account and postal cheque account and balances with other banks	11,975,298.25
Securities	3,381,767.25
Bank premises	300,000.-
Furniture and fittings	1.-
Other assets	79,875.24
	2,739,451,992.98

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE

Dr.	RM
Costs of management	169,345.10
Interest on Rentenbriefe	7,562.50
Net profits	2,781,834.58
	2,958,742.18

Transl. 6849.
QW.

RENTENBANK AS AT DECEMBER 31, 1928. DOC. 310

Liabilities

		RM
Original capital Rentenmarks 2,000,000,000.-		2,000,000,000.-
Rentenbank notes in circulation in public circulation	Rt.M 537,245,302.-	
under earmark with the Reichsbank	" 70,082,498.-	607,327,800.-
Rentenbriefe in circulation 156,000 fine gold marks		156,000.-
Interest repayable to the Reichsbank (§ 11 paragraph 4 of the Liquidation Law)		70,082,498.29
Interest coupons of Rentenbriefe still to be redeemed 4,250 fine gold marks		4,250.-
Other liabilities		536,759.34
Reserves		5,492,189.69
Pensions fund		1,332,622.53
Reserve out of profits 1924-27		51,738,038.55
Net profits		2,781,834.58
		2,739,451,992.98

RENTENBANK AS AT DECEMBER 31, 1928

Cr.	RM
Interest on credits granted and short-term investments	2,812,617.18
Interest on securities	146,125.-
	2,958,742.18

I.I. 9.4142 DOC. 311

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 26, 1929.

MANAGEMENT AND BUSINESS REPORT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (CENTRAL BANK OF AGRICULTURE)

Fourth business year 1928.

(cf. DOC. 291)

The following document is a translation of the report of the Management of the Deutsche Rentenbank-Kreditanstalt published today.

I. During the year under report the credit position of German agriculture was further aggravated. According to the information supplied by the Institut für Konjunkturforschung "real" credit indebtedness increased since the end of 1927 from RM 2.8 milliards to RM 3.6 milliards, while that of "personal" credits of average maturity (for example bill credits of one year or more, instalment credits, dairy credits, etc.) increased by about RM 40 millions to RM 293 millions. To these figures come the revalorisation debts amounting to RM 2.8 milliards (as against RM 3 milliards in round figures at the end of 1927), further about RM 1.8 milliards of floating credits (as at the end of 1927), and finally the "real" credit indebtedness due to the purchase of property, the distribution of an inheritance and such like which can only be estimated. The Institut für Konjunkturforschung takes this amount to be about RM 1 to 1.2 milliards.

As against these figures for long and medium-term credits there is unfortunately only a very slight falling-off in short-term credits, in which our short-term loans shared, of not quite RM 50 millions, bringing the figure down to about RM 2 milliards.

In so far as the increased indebtedness in the form of mortgage and medium-maturity credits represents the conversion of short-term indebtedness at high interest rates into cheaper indebtedness, this may be taken as amounting to a reduction in the interest charge to be borne by the agriculturalists and as relief from the burden of liabilities falling due at any moment. In view of the unfavourable position of the capital market, however, such mortgage charges are by no means light; for agriculture they are as a matter of fact too heavy in the long run. The continuation of long-term indebtedness is however chiefly due to the unprofitable working for many years past of all agricultural concerns whatever their size, that is to say to the disproportion between revenues and expenditures which has existed for years.

Although it is true that in a number of cases special circumstances have led to operating and capital losses, the general unsatisfactory result is nevertheless due to the fact that prices for agricultural products, more especially for the most important (such as cereals, potatoes, cattle) have remained considerably below the increased cost prices of material and equipment, wages, taxation, interest rates, social charges, clothing, etc., since the stabilisation of the currency. In so far as agriculture can contribute through methods of self-help such as standardisation, extensive organisation of sales, to an

improvement in prices, it must do so, and successful attempts have been made in this direction for some time past. It must not however be hoped that only self-help will save the situation; measures will have to be taken by the Government to lessen the big discrepancy between revenues and expenditures, if agriculture is to be made profitable again not only for its own sake but for that of the country as a whole. One necessary condition of this is that the Dawes charges - which are impossible for the entire German economy - must be considerably reduced.

There was no easing of the money market for any length of time in 1928, and it was therefore not possible during the year under report for the Reichsbank to reduce its dicount rate, which had been increased on October 4, 1927, from 6 to 7 per cent. Temporary monetary liquidity cannot cheapen operating credits when they are required by agriculture for periods of 6 to 9 months.

The capital market has also been far from satisfactory. The circulation of German mortgage bonds, communal obligations and bonds increased very appreciably during 1928 both at home and abroad (by about RM 1.93 milliards) thus remaining only slightly below the increase of the previous year (about RM 2 milliards); on the other hand, the interest rate on home sales which amounted to 2/3 of the total sales was 8 per cent, an almost impossible charge on borrowers, more especially on agricultural borrowers, when added to the administrative and other costs taken in conjunction with the very considerable discounts due in many cases. So long as Germany does not accumulate a large amount of fresh capital from healthy economic conditions and so long as fresh

capital is not invested there can be no hope of an adequate reduction of the interest rate.

The hope that it would be possible during the past year to attract fairly cheap long-term foreign credits for mortgages and other purposes has fallen far short of realisation. While there was an increasing aversion to bonds (not only German) noticeable on the New York market at the end of 1927, which led to an appreciable falling off in transactions, this was even more the case in 1928, as a result and effect of an extraordinary revival of business on the share market. For some time past, the taking up of new loans has therefore become quite impossible unless borrowers were prepared to accept conditions in respect of interest rates or net proceeds paid over which would have amounted to a decided loss for agriculture as compared with our four American loans, which all offered considerable advantages over home conditions current at the time. It is not yet possible to foresee any change in this respect. These conditions unfortunately mean for us that certain urgent credit requirements (for refugee settlers, improvement credits, - Meliorationskredite - mortgage credits) cannot be satisfied for the moment.

Other foreign money markets (more especially the British market) offered no opportunity for the taking up of loans which would have been tolerable for German agriculture.

The position of the capital markets showed no signs of improvement at the date when the present report was drafted.

II. Our "personal" credit business shows an increase as against the previous year of about RM 7 millions. The reduction in credits maturing at not more than nine months may be explained, apart from repayments to which we shall refer later, mainly by the increased conversion into cheap instalment credits which have risen by about RM 31 millions as compared with the previous year when they were included under the longer term personal credits for RM 76,500,000.

Repayments in respect of credits maturing at not more than nine months have not been effected to any great extent; they are due in part to the conversion of "personal" credits into "real" credits from funds derived from our loans, and in part to voluntary repayments by some of our borrowers. In so far as we arranged for repayments, they have been for very small amounts, and we have paid the utmost consideration to the difficult position of agriculture. We were however unable entirely to renounce repayments, because of new engagements assumed (inter alia interim improvement credits, the payment of which began at the turn of the year) and also, and more especially, in order to maintain the necessary freedom of action.

The maximum rate of interest fixed by us for the agriculturalist for credits maturing at not more than nine months was not changed during the year under report owing to the fact that the Reichsbank rate remained unchanged; it amounted to 9½ per cent through the year, but was reduced by ½ per cent to 8¾ per cent as from January 12, 1929, as a result of the reduction of the Reichsbank rate.

During the year under report we decided to convert (in addition to the above mentioned instalment credits A which run until the end of 1932) short-term "personal" credits up to a further amount of RM 30 millions into instalment credits B maturing in five years, repayable in four equal amounts at the end of 1930 to 1933 after one year of grace. We did not think that we could go further in this connection (that is to say exceed a total figure of approximately RM 140 millions) as quite a considerable amount of our capital is invested at long-term or promised for dairy purposes, improvements to soil cultivation, the cultivation of osiers, improvements to property, independent cultivators, amalgamations and conversion credits, totalling about RM 47,500,000.

The instalment credits are calculated at such rates and the interest due thereon is so determined that the agriculturalist still pays (provisionally until the end of 1929) not more than 7½ per cent for series A and not more than 8 per cent, also provisionally until the end of 1929, for series B which matures a year later. As our highest rate of interest for "personal" credits amounted to 9½ per cent with a Reichsbank rate of 7 per cent and now amounts to 8½ per cent with a Reichsbank rate of 6½ per cent, the conversion into instalment credits B which began towards the end of 1928 meant a reduction for the agriculturalist of 1½ or ½ per cent in addition to the advantage of long-term conditions and repayment in instalments.

During the past year, we have also granted <u>interim</u> credits for various purposes, inter alia to facilitate the granting of mortgage loans out of our loans.

The amount allowed from our own funds for dairy purposes (see 1927 report, page 5 German text) was made available to the full amount of nearly RM 20 millions distributed over the whole of the Reich. Down to the date of the drawing up of the balance sheet, credits to the amount of RM 17,721,000 were allowed at cheap interest rates out of Reich funds in 519 cases in accordance with existing directives and RM 12,046,900 were paid out.

In addition, we attended to 588 cases where credit had been received from a third party but interest charges were reduced by us out of Reich funds.

Interest rates were reduced by 2½ per cent to a maximum of 5½ per cent according as to whether the credit in question was one which we had accorded at the same rate as the Reichsbank rate or one which had been accorded by a third party at higher rates (up to 10½ per cent); in the case of dairies, this amounts to a reduction of the interest rate to 5 per cent for five years.

In accordance with a decision of the Managing Board dated July 25, 1928, the Deutsche Gartenbau-Kredit A.G. of Berlin was admitted as a borrower in conformity with Article 4, paragraph 2, figure 2, of the Foundation Law (Errichtungsgesetz).

III. Of the many efforts which have been made to improve the profits of agricultural undertakings, very special notice and assistance should be given (as already mentioned above) to the appropriate utilisation and selling of agricultural products. The primary condition of easy harvest sales at best possible prices is inter alia the delivery of the best quality to meet

the requirements and demands of consumers who have learned from foreign competition the meaning of quality as regards contents and appearance. Agriculture as a whole must be convinced of the necessity and utility of stimulating sales if there is to be any success in the attempt appreciably to restrict imports of foreign foodstuffs such as bread cereals, cattle, meat, poultry, milk and dairy products, eggs, potatoes, fruit and vegetables, which have risen for years past to an alarming extent. This object must be kept before us by all means in our power in order to achieve the absolutely necessary improvement of our trade balance, and it is possible of attainment provided that goodwill is shown by all parties and adequate measures are taken by the Government.

The idea of calling upon the Deutsche Rentenbank-Kreditanstalt to assist in stimulating sales led in March 1928 to a second modification of the Foundation Law, by which the Bank is enabled (subject to certain restrictions) to allow credits to, and to participate in, private and public concerns of general interest for stimulating the sales of agricultural products. The change in the law also facilitated the procuring of funds by the Bank. The wording of the second modification of the law is to be found in the annex on page 16 of the German text.

The first result of the modification of the law (article 3, paragraph 1, figure 3a) was our predominating participation in the so-called Scheuer-Konzern, i.e. the Getreide-Industrie und -Commission A.G., the Deutsche Mühlenvereinigung A.G. and a few other large mills, the shares of which belong in

the majority to the Konzern. The Preussische Zentralgenossenschaftskasse participated with us to an equal extent. Our participation, following upon the unanimous decision of our Managing Board, was due to the feeling that an attempt must be made, with the help of the leading cereals organisation represented by the Konzern and its ownership of mills, to obtain influence on the cereals market (more especially by drawing in the goods co-operatives) for the purpose of standardising the treatment of home cereals so as to reduce as much as possible the disorganisation prevailing in the cereals trade and the resulting abnormal fluctuations in prices which are prejudicial to the producer as much as to the consumer - that is to say of regulating prices. It was perfectly clear to all concerned that the further standardising of cereals and rationalising of the co-operative system were necessary prerequisites for any success.

Of the co-operation between the Getreide-Industrie und -Commission A.G. and the goods co-operatives based on mutual understanding and confidence, we may say today that it has already brought about appreciable sales and the milling of increased amounts of German wheat in the mills belonging to the Konzern.

Under 3a of the amending law, we also have the participation of the Bank for a nominal amount of RM 750,000 in the Ostpreussische Fleischwarenwerke A.G., Königsberg, East Prussia, which was founded on September 29, 1928, with a share capital of RM 3.6 millions. The remaining capital was produced by the artificial fertilisers industry, the heavy industry, and a few of the big industrial concerns and finally to a very large extent by the leading banks and a number of the most important banking

houses - a satisfactory indication of the recognition of the fact that the interests of the great branches of economy, viz. agriculture, industry and trade are bound up with one another.

The need for founding the Fleischwarenwerke was due to the necessitous condition of agriculture in East Prussia which produces a considerable surplus of the total cattle production of Germany, and to the necessity of better utilising this production. Breeders are to be assisted in supplying the meat factories with their cattle at any time without heavy freight costs and the loss of weight due to long transport distances, with the help of the co-operatives. The company will, within the limits of its capacity, supply the home markets which have hitherto received live East Prussian cattle, with slaughtered cattle and meat goods; it will also consider exports as much as possible.

From the present position of the constructional work it may be assumed that the undertaking will be in operation by the middle of 1929.

The Finansierungsgesellschaft für Landkraftmaschinen, of which we possess half the share capital of RM 2 millions, has continued to develop satisfactorily.

IV. Our "real" credit business was only able slightly to extend as compared with the previous year owing to the conditions on the foreign capital market as described under I. We were able to conclude the:

Fourth American Loan for $26,000,000

in March, the proceeds of which, in spite of the short-term of maturity (10 years) owing to the unsatisfactory condition of the German capital market which could only absorb 8 per cent mortgage bonds under par, were easily taken up without it being possible to satisfy applications to any great extent.

In the contract and in the American prospectus for the New York stock exchange, the loan is entitled:

Deutsche Rentenbank-Kreditanstalt Farm Loan Secured
6 per cent Gold Sinking Fund Bonds
Series A of 1928.

The loan was offered for subscription at 95.5, whilst we obtained a net payment of 92.75. It was found possible to allow the agriculturalist at the rate of 91.25 per cent of the nominal amount.

Interest is at the rate of 6 per cent per annum, payable twice a year on April 15 and October 15, and for the first time on October 15, 1928. The loan cannot be denounced by the lender. Contrary to the previous loans, provision has not been made for complete redemption by amortisation but repayment in instalments is to some extent provided as follows: until October 15, 1937, 0.75 per cent of the original loan is to be paid half-yearly, this amount to be increased in the second and subsequent half-years by the interest saved on the progressive repayments. The capital amount of the loan still outstanding on October 15, 1937, is to fall due in one lump sum on April 15, 1938; it will then amount approximately to 81 per cent of the original nominal amount of the loan. In addition there shall be paid an annual

contribution to administrative costs of 0.5 per cent of the original nominal amount of the loan; of this amount 0.4 per cent falls to the "real" credit institutions and 0.1 per cent to the Deutsche Rentenbank-Kreditanstalt. The Agriculturalist therefore has to produce an annual payment of 8 per cent on the nominal amount of the loan. The net interest charge for the agriculturalist amounts to 7.9 per cent on the 91½ per cent which he receives including ½ per cent as contribution to administrative costs and the amortisation of the discount of 8½ per cent within the period covered by the loan (10 years) <u>without</u> the annual instalment of 1.5 per cent.

By the date on which the balance sheet was closed, the Second American Loan (taken up in June 1927) had been covered according to provision to the extent of GM 209,240, the Third American Loan of October 1927 to the extent of GM 1,706,040 and the Fourth American Loan to the extent of 10,973,020.

The extent of the redemptions of the individual loans as at December 31, 1928, may be found in the balance sheet; they total $ 2,415,000 on the original debt of $ 131,000,000 nominal.

During the period under report, the first steps were taken <u>for liquidating the Golddiskontbank Loan</u> which is repayable in amounts of 1/3 on July 15, 1929, 1930 and 1931, in accordance with existing arrangements.

The Golddiskontbank cannot prolong the loan for internal reasons; in addition, the amount of our 7 per cent mortgage bonds (RM 114 millions on the balance sheet key date) due for repayment by July 15, 1929, are held for more than half their amount by

third parties and must naturally be redeemed on maturity and cannot come into question for an extension.

The extremely difficult position of agriculturalists will naturally make it impossible for most of them to repay the first third out of their own funds. We have attempted (for the time being with very small success unfortunately) to obtain funds from a third party to ease the position, and we have found for example that no monies were obtainable from social insurance organisations or private insurance circles. The "real" credit institutions will therefore for the most part have to rely on themselves for the fulfilment of their liabilities towards us, that is to say the institutions issuing mortgage bonds will have to substitute mortgage bond loans for the Golddiskontbank loans to be redeemed, and the savings banks will have to help by drawing upon the increasing deposits. In this connection, it will unfortunately be impossible to spare the agriculturalist the increased cost of loans due to present conditions on the capital market together with the unavoidable charges connected therewith. It must however not be forgotten that those persons who enjoyed the benefits of the Golddiskontbank Loan during several years paid a relatively low rate of interest and may enjoy the loan for a further 1 to 2 years to the extent of 2/3 of its total amount.

V. <u>Conversion Credits</u>. In connection with the Government emergency programme to assist agriculture, a foreign loan of $ 25 millions was taken up towards the middle of the year, to

enable short-term expensive liabilities of agriculturalists to be converted for the most part into second mortgages. The Landesbanken (agricultural banks) were responsible for this loan in Prussia. A number of credit institutions of public law standing in other Federal States were not able to take part in this foreign loan for reasons connected with our reparations policy, as they are backed directly by the States in question. In order to enable agriculturalists in these States also to participate in conversion transactions within the limits prescribed by the Government of the Reich, we stated that we were prepared to make available out of our own funds a nominal amount of RM 5.3 millions, upon the same terms as were allowed for the loans allotted out of the proceeds of the foreign loan. Owing to the fact that one State subsequently refused participation in the conversion measures, this sum was reduced to a nominal amount of RM 4.8 millions. The following participated:

Thuringia through the Thuringian State Bank,
Hesse through the Landesbank of Hesse,
Oldenburg through the Staatliche Kreditanstalt, and
Lippe-Detmold through the Lippesche Landesbank.

The loans bear interest to us at the rate of 6½ per cent per annum and are redeemable at the rate of 1.17 per cent per annum plus interest saved. The agriculturalist has also to pay an annual amount of ¾ per cent as a contribution to the administrative costs of the Kreditinstitution acting as intermediary. The loans are for a period of 30 years.

The Reich, the Federal States in question and in some cases the associations of communes and individual parishes have assumed a kind of collateral guarantee for the loans issued to the agriculturalist. The loans are covered in accordance with the provisions of our statutes. A nominal amount of RM 2.3 millions was paid out down to December 31, 1928.

VI. Permanent Agricultural Improvement Credits (Meliorations-dauerkredite).

The general agricultural improvement credits of RM 15 millions granted out of our own resources and passed on through the Deutsche Boden-Kultur-A.G. have remained unchanged during the period under report as regards amount, interest and other conditions. The credit for linking up of ditches and roads in connection with the amalgamation of pieces of land has on the other hand been increased by RM 1 million and brought up from RM 1.5 to RM 2.5 millions. The Deutsche Boden-Kultur-A.G. is debtor to us to the extent of RM 2.33 millions and the Bayerische Staatsbank to the extent of RM 0.17 million. The terms of the credits are identical with those of the general permanent agriculture improvement credits. RM 2,112,500 of the total amount of RM 2.5 millions were paid out by December 31, 1928. We have also increased the credit for promoting individual reclamation of waste land during the year under report by RM 0.5 million, bringing the amount up to RM 1.5 million. The borrower is the Hannoversche Landeskreditanstalt. The rate of interest (4½ per cent) and the duration of the loan (10 years) have

remained unchanged. At the end of the year the whole amount had been drawn upon. The special credit to promote the cultivation of osiers, made available to the Governments of the States in 1926 for a period of 5 years to the amount of RM 1.2 millions, was drawn upon up to the end of 1928 to the amount of approximately RM 920,000.

Interim agricultural improvement credits (Meliorations-zwischenkredite).

The scheme discussed in last year's report for promoting agricultural improvements by procuring funds from foreign loans has taken shape to the extent that the loan contract has been drafted in its legal form. The loan can be issued as soon as the American capital market makes this possible. The difficulties at present to be encountered have already been explained.

It was in many cases assumed by the agriculturalists in question that it would have been possible to realise the scheme (as made known to the public) during the year 1928. They had therefore made a beginning with the work of improvement, the financing of which they hoped to cover out of the proceeds of the loan. We endeavoured to meet the difficulties arising out of this state of affairs by making available out of our own funds an interim credit of RM 20 millions to be paid back out of the proceeds of the foreign loan. The undertakings to be financed from the interim credit are to be chosen by the Reich in agreement with the Governments of the Federal States. Down to December 31, 1928, RM 2,514,850 had been drawn upon.

The loans bear interest at the rate of 7 per cent per annum and are granted at par. They are repayable not later than 6 months after the date on which they are granted. Should the foreign loan be issued before the expiry of this period, they must be covered out of the latter. Should this however not be the case, they will be prolonged accordingly. The credits will be issued against bonds in the form of abstract promises of indebtedness which the agriculturalists responsible for the work of improvement shall issue to us. The organisations mentioned to us by the Governments of the Federal States under the law for the foundation of the Deutsche Rentenbank-Kreditanstalt act as intermediary organisations. They are in the case of Prussia the Landes- and/or Provinzialbanken, in the case of Bavaria the Bayerische Staatsbank and/or Landeskulturrentenanstalt, in Baden the Badische Girozentrale, in Hesse the Hessische Landesbank, in Brunswick the Braunschweigische Staatsbank, and in Mecklenburg-Strelitz the Mecklenburg-Strelitzsche Hypothekenbank. In the case of Saxony, Thuringia, Oldenburg, Mecklenburg-Schwerin and Anhalt, the Deutsche Boden-Kultur-A.G. acts as intermediary.

The Government of the Reich has promised to cheapen the rate of interest on all credits derived from this 20 million fund, in such a way that the loans including accessory charges will not cost those responsible for the improvements more than 4½ per cent net per annum over a period of 5 years. The task of cheapening interest rates has been entrusted to us. In addition we have at the request of the Government of the Reich undertaken the technical work in connection with the cheapening of interest

rates on improvement credits not given by us but covered by the promise of the Reich.

Side by side with the interim credit of RM 20 millions we have the interim credit of RM 6 millions made available last year to the Deutsche Boden-Kultur-A.G. on the same terms as the general permanent agricultural improvement credit. It also is to be liquidated out of the proceeds of the loan to be issued. This credit was drawn upon to the extent of RM 5,701,300 at the end of the year.

VII. The granting of <u>interim credits for agricultural settlements</u> in thinly populated areas from funds of the Reich has been continued. The Settlements Committee of the Deutsche Rentenbank-Kreditanstalt granted credits for RM 46,807,748 during the period under report. Including the applications for credits approved in 1926-27 to the amount of RM 76,929,943, an amount has been made available for settlements of RM 123,737,691. Of this total RM 96,451,324 represent purchase credits, RM 18,423,849 represent credits for improvements, RM 994,100 credits for the initial establishment of settlers running for 25 years which are derived it is true out of the interim credits fund but should be regarded as permanent credits, and RM 7,868,418 general and special advances. Credits were paid over as the necessary evidence was produced to the amount of RM 112,177,951.82 by the end of the business year.

With the help of the credits, 44.650 hectares of land at an average price of RM 996.03 per hectare were purchased during the year under report. The purchase price has fallen by RM 41.67 when compared with the average price during the years 1926-27. This difference does not however give a complete picture of the prices paid, as the quality of the settlements has improved on an average. The following table shows the distribution of the purchases over the various States and provinces, and the prices paid.

LAND PURCHASED AND PRICES PAID DOWN TO DECEMBER 31, 1928.

Province	Size Hectares	Purchase price RM	Credit granted RM	Average price per hectare RM
East Prussia	139,213	32,296,098	28,554,765	231.99
Grenzmark (frontier)	37,557	8,679,752	7,556,046	231.10
Pomerania	33,331	6,163,330	5,574,900	184.91
Mecklenburg-Strelitz	3,411	576,198	576,198	168.92
Mecklenburg-Schwerin	53,714	14,428,400	9,613,300	268.61
Schleswig-Holstein	37,902	12,969,787	8,172,881	342.19
Brandenburg	29,252	8,191,374	7,112,850	280.02
Lower Silesia	69,997	16,447,852	13,915,372	234.98
Upper Silesia	60,205	16,732,293	13,778,682	277.92
Saxony (Free State)	1,942	659,400	597,820	339.54
Bavaria	4,971	1,204,561	998,510	242.31
	471,495	118,349,045	96,451,324	* 251.—

* Total average price.

The following table shows the results connected with settlements down to October 15, 1928:

TABLE SHOWING THE NUMBER OF SETTLEMENTS PLANNED IN THE CALENDAR YEARS 1927 AND 1928 (TO OCTOBER 15) AND THE AREAS CEDED TO APPLICANTS

New Settlements

Year	Total		Number of new settlements in hectares.								
	Number	area in hectares	Up to 0.5	0.5 to 1	1 to 2	2 to 5	5 to 10	10 to 20	20 to 50	50 to 100	Over 100
1	2	3	4	5	6	7	8	9	10	11	12
1927	1,046	17,675	7	72	74	93	70	558	143	16	13
1928	1,916	27,496	24	175	186	183	165	864	272	27	20
	2,962	45,171	31	247	260	276	235	1422	415	43	33

Settlements applied for

Year	Settlements applied for: total in hectares.	Number of settlements applied for: in hectares.					
		under 0.5	0.5 to less than 1	1 to less than 2	2 to less than 5	5 to less than 10	10 and over
1	2	3	4	5	6	7	8
1927	1,147	27	124	296	336	114	250
1928	1,000	15	103	185	439	203	55
	2,147	42	227	481	775	317	305

The granting of <u>permanent credits to refugee settlers</u> has not been as successful as was hoped and to be expected. After we had prepared contracts for signature with foreign lenders for a loan in agreement with the competent authorities of the Reich, objections connected with reparations policy obliged us to relinquish the scheme. After lengthy and difficult negotiations, a partial arrangement was arrived at, according to which a

loan agreement for an amount of RM 25 millions was concluded with the Finance Administration of the Reich. We for our part have assisted the conclusion of the contract by purchasing from the Reich RM 5 millions nominal of 6 per cent Reich loan 1927. Negotiations are still pending with regard to the financing of the remaining amount required of approximately RM 30 millions. The Settlements Committee has dealt with 1,719 applications out of the total received to date of 3,005. 45 applications had to be refused mainly because of over-indebtedness and in a few cases because the settlements were not agricultural in character. 149 settlers renounced any claim to the permanent credit. These refusals are in part due to the fact that the settlers were able to pay off their debts out of the final compensation received by them in the meantime, and partly to the fact that they did not wish to accept the condition according to which the credit had to be paid back upon sale of their property. RM 12,953,944 have so far been paid out in the form of credits.

Credits for improvements to property. The Bayerische Siedlungs- und Landbank G.m.b.H., Munich, is meeting the crisis through which peasant landed property is passing in Bavaria by the application of a procedure which has been tried out for some years past. We have at the request of the Bavarian Government given assistance to this procedure in the form of a loan of RM 1 million. Interest is at the rate of 4 per cent and duration of the loan 5 years.

For the same purposes and under the same conditions we have, at the request of the Saxon Government, made available RM 350,000 in the form of a loan for the "Sächsische Heim" Landessiedlungs- und Fürsorgegesellschaft m.b.H., Dresden.

Credits for separate homes for the agricultural population. The settlement of the agricultural population in its own homes is of great economic importance for agriculture. The work of building separate homes is however still encountering great difficulties. For the second mortgages, amounts of RM 5,000 to 6,000 derived from the funds of productive unemployment relief are it is true available; the sums required for the first mortgages of RM 1,000 to a maximum of RM 3,000 which the agricultural labourer has to procure himself are however almost prohibitive at the present time seeing that he has not at his disposal the necessary private means. We have therefore stated that we were prepared to make available a long term loan of, in the first instance, RM 300,000 at 7 per cent.

The amount of RM 500,000 granted out of the net profits for 1927 for agricultural purposes under the terms of Article 2 have been utilised accordingly. RM 200,000 were allotted to the Kaiser-Wilhelm-Gesellschaft to promote the cultivation of plants, and the RM 300,000 assigned for stimulating research in respect of the question of milk have been transferred in agreement with the Ministry of Food of the Reich to the Institutes named by the latter at Kiel, Königsberg, Halle, Weihenstephan and Wangen.

Explanatory Notes on the Accounts for the Year.

The following should be noted in connection with individual items of the balance sheet and profit and loss account:

Credit balances with other banks include funds for credits granted but not yet drawn upon, as well as cash holdings of the Deutsche Rentenbank, the sums to be invested in securities in order to strengthen the separate special reserves, funds of the Reich for settlement credits and for cheapening interest rates and finally the sums by which the proportionate interest on bonds exceeds the corresponding interest on mortgage loans, and the amount by which the "other liabilities" exceed the "other assets".

The holding of securities has increased by the amount of the German fixed interest bearing securities deposited with the Reichsbank as separate special reserves for the bondholders of our First, Second and Third American loans, as well as the RM 5 million nominal 6 per cent Reich loan which we acquired, as already mentioned, to assist refugee settlements; the holding was reduced by the amount of the bonds of our American loans made available in 1928 from our funds for purposes of amortisation.

Our foreign exchange consists as last year mainly of holdings for the redemption of coupons of our dollar loans (see counter entry on the liabilities side).

Under mortgage loans cash cover has been provided in so far as mortgage cover is not available for the bonds issued.

The difference between the proportionate interest on mortgage loans and the corresponding interest on bonds and

mortgage bonds is due to the fact that interest had already been received on loans in 1928 which was not utilised for the redemption of coupons until January 1929.

Other assets and other liabilities include all contra entries and all receipts and payments in respect of the Fourth American loan, part of which has still to be paid out. Under "other liabilities" there is also the amount mentioned in the previous year which we owe for purchases of bonds.

The capital has increased by RM 17,200,000 transferred to us in respect of receipts of interest on land debts under Article 9 of the Liquidation Law down to December 31, 1928. In the meantime, a further RM 7,600,000 have been transferred to us, so that we may expect to receive the full amount of RM 25,000,000.

The increased amounts in respect of the principal and special reserves shown in the balance sheet, together with the pensions fund are obtained by the appropriation of net profits proposed in the previous report and approved by the general meeting.

The credit balance of the Deutsche Rentenbank is offset on the assets side by claims on the liquidation credits still amounting to RM 46,173,735.55 transferred to us for collection.

Out of the non-recurrent receipts obtained from the loaning of the proceeds from the Second and Third American loans sums corresponding to the period of duration of these loans have been carried to the reserve funds.

	RM	RM
From the net profit to the amount of		17,857,168.48
the following appropriations are to be made:		
at least 25 per cent to the principal reserve under Art. 11,2 of the Law	4,464,292.12	
and at least 33 1/3 per cent to the special reserves under Art. 11,3 of the Law	5,952,389.49	10,416,681.61
From the balance of		7,440,486.87
we propose to set aside for the pensions fund as in the preceding year		250,000.00
and that the balance of		7,190,486.87

be appropriated as a further special reserve under Art. 11,3, in so far as it is not made available under Art. 11,4 by the general meeting for agricultural purposes within the meaning of Art. 2.

The sum which, according to the terms of our American loans, must be separated from the special reserves as special separate reserves and invested in securities will rise in the current year by RM 7,545,881.28 to RM 22,558,788.

Staff. There have been the following changes in the membership of the Managing Board during the year under report:

Herr Staatsminister Professor Dr Fehr has replaced Herr Gutsbesitzer Schmidthals, Herr Reichsminister a.D. Dr Hermes has replaced Herr Dr Crone-Münzebrock and Herr Präsident Klepper has replaced Herr Präsident Semper.

The number of employees, including the domestic staff, increased during the past year from 153 to 185 in addition to three members of the Management and five managing clerks (heads of department). This big increase is explained by the extra amount of work incurred in connection with the dairy, refugee settlers and interim agricultural improvement credits.

THE MANAGEMENT
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT
(CENTRAL BANK OF AGRICULTURE)

LIPP KISSLER SZAGUNN

We agree with the above report and with the proposal of the Management for the distribution of the net profit.

THE MANAGING BOARD
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT
(CENTRAL BANK OF AGRICULTURE)

The Chairman

LENTZE.

BALANCE SHEET OF THE DEUTSCHE RENTENBANK-

AS AT

A S S E T S			RM.
Cash in hand, Giro balances with the Reichsbank, postal cheque balances and credit balances with other banks			86,760,515.22
Securities			33,414,471.69
Foreign exchange			479,565.98
Share holdings			
a) in the Finanzierungsgesellschaft für Landkraftmaschinen A.G.		RM 1,000,000.00	
b) in accordance with Article 3 figure 3a of the Law on the Rentenbank-Kreditanstalt		" 10,832,766.70	11,832,766.70
"Personal" credits			
a) not exceeding 9 months	RM	150,717,745.89	
b) instalment credits	"	107,465,823.61	
c) other credits for longer terms (dairy credits)	"	12,046,900.00	270,230,469.50
Liquidation credits			46,173,735.55
Conversion credits			2,300,000.00
Agricultural improvement credits			
a) interim	RM	8,267,908.00	
b) permanent	"	19,696,979.30	27,964,887.30
Settlements credits			
a) interim	RM	111,420,650.81	
b) permanent	"	15,113,748.47	126,534,399.28
Mortgage loans			
from funds of the first American loan			99,761,194.19
from funds of the Rentenbank-Kreditanstalt on the same terms			3,580,376.32
from Golddiskontbank loan funds			346,539,165.00
from funds of the second American loan			123,843,492.93
from funds of the Rentenbank-Kreditanstalt on the same terms			1,030,291.43
from funds of the third American loan			206,177,524.25
from funds of the Rentenbank-Kreditanstalt on the same terms			283,952.57
from funds of the fourth American loan			
a) against definitive cover	RM	88,389,098.56	
b) interim credits against provisional cover	"	9,101,180.00	97,490,278.56
from funds of the Rentenbank-Kreditanstalt on the same terms			24,812.50
Deposited with the Reichsbank			
a) as cover for bonds	RM	10,842,726.09	
b) sums retained until the extinction of revalorisation mortgages	"	984,256.33	11,826,982.42
Proportionate interest on mortgage loans			14,596,935.03
Other assets			8,454,862.23
			1,519,300,678.65

KREDITANSTALT (Central Bank of Agriculture) DOC. 311

DECEMBER 31, 1928.

L I A B I L I T I E S			RM.
Capital			352,200,000.00
Principal reserve			8,691,654.33
Special reserves for bonds issued including separate special reserves			23,874,962.74
a) for the first American loan	RM	5,035,380.00	
b) for the second American loan	"	3,741,572.52	
c) for the third American loan	"	6,235,954.20	
Reserve for share holdings in other institutions			1,000,000.00
First American loan 7 per cent bonds	U.S.A. $	25,000,000.00	
amount amortised	$	1,248,000.00	
	$	23,752,000.00	99,758,400.00
Golddiskontbank loan 7 per cent mortgage bonds			347,700,000.00
Second American loan 6 per cent bonds	U.S.A. $	30,000,000.00	
amount amortised	$	464,000.00	
	$	29,536,000.00	124,051,200.00
Third American loan 6 per cent bonds	U.S.A. $	50,000,000.00	
amount amortised	$	508,000.00	
	$	49,492,000.00	207,866,400.00
Fourth American loan 6 per cent bonds	U.S.A. $	26,000,000.00	
amount amortised	$	195,000.00	
	$	25,805,000.00	108,381,000.00
Credit balances of the Reich			115,130,043.98
Loans for permanent settlement credits			13,700,000.00
Deutsche Rentenbank			57,988,210.62
Sums to be paid out upon the extinction of revalorisation mortgages			984,256.33
Unredeemed interest coupons			328,398.00
Proportionate interest on bonds and mortgage bonds			19,220,211.50
Reserves			3,774,913.17
Pensions Fund			560,192.75
Other liabilities			16,233,666.75
Net profit			17,857,168.48
			1,519,300,678.65

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT

AS AT DECEMBER 31, 1928.

Dr.	RM.	Cr.	RM.
Cost of Management	1,569,875.24	Interest on credits and short-term investments	18,110,761.62
Stamp dues, costs of issue and other payments in respect of loans	3,348,274.02	Interest on securities and foreign exchange	1,415,443.15
Interest on loans	57,012,402.59	Interest on mortgage loans ...	58,335,187.33
Writing down securities	878,941.25	Commission for the conclusion of loans, contributions to costs of management, etc	2,805,269.48
Net profit	17,857,168.48		
	80,666,661.58		80,666,661.58

Transl. 6850.

DOC. 311

ANNEX

ARTICLE 3 OF THE LAW ON THE FOUNDATION OF THE DEUTSCHE RENTENBANK-KREDITANSTALT OF JULY 18, 1925,

as amended by the Law of March 31, 1928*.

The Deutsche Rentenbank-Kreditanstalt is authorised, subject to the detailed provisions in its Statutes, to carry on the following business:

1. to grant loans upon interest
   (a) to the credit institutions mentioned in Article 4, paragraph 1, for the purpose of supplying German agriculture with "real" credits;
   (b) to the credit institutions mentioned in Article 4, paragraph 2, for the purpose of supplying German agriculture with "personal" credits;
   (c) to the Federal States and to the organisations specified by the Government of the Reich and by the Governments of the Federal States for the purpose of encouraging the cultivation of the soil and agricultural settlement;

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* The amendments introduced into the text of the Law by the Law of March 31, 1928, are underlined.

(d) to private and public undertakings, whose business is of general importance for stimulating the sale of agricultural products, where the opening of such relations has been agreed upon by a two-thirds majority of the Managing Board. Undertakings which have direct or indirect business relations with credit institutions mentioned under Article 4, paragraph 1 and paragraph 2, number 1, or allowed under Article 4, paragraph 2, number 2 are excluded.

The transaction of business coming under No. 1-b is limited to the period up to and including December 31, 1930. The Government of the Reich is empowered to extend this period subject to the approval of the Reichsrat and a Committee of the Reichstag to be appointed by the Reichstag; such extension shall in no case exceed two years.

2. to issue bearer bonds in accordance with the prescriptions of Article 12;

3. to contract loans for the purposes mentioned in figure 1 to the exclusion of deposit business and calls upon the open money market; in so far as loans are contracted for a shorter period than one year for the purposes mentioned in figures 1-a, b and d, the total amount may not exceed 10 per cent of the capital;

3a. to participate in private and public undertakings, whose business is of general importance for stimulating the sale of agricultural products, where such course has been decided

upon by a two-thirds majority of the Managing Board. The total amount of participations may not exceed 5 per cent of the capital. Undertakings which have direct or indirect business relations with credit institutions mentioned under Article 4, paragraph 1 and paragraph 2, number 1, or allowed under Article 4, paragraph 2, number 2 are excluded;

3b. to participate in the Preussische Zentralgenossenschaftskasse, where such course has been decided upon by a two-thirds majority of the Managing Board. Such participation may not exceed 5 per cent of the capital;

4. to buy and sell foreign exchange in consultation with the Reichsbank, in so far as is necessary for the fulfilment of its duties;

5. to utilise any available cash balances by investing them as short-term deposits with sound banking firms.

In the case of loans granted to "personal" credit institutions, the interest terms are to be framed in such a manner that the last recipients of credits shall in principle uniformly pay the same rate of interest; for this purpose recipients of credits from the Deutsche Rentenbank-Kreditanstalt who do not transfer such credits direct but through one or more intermediate agencies shall be granted a proportionate reduction in the rate of interest as compared with the rates paid by other recipients.

I.I.9.4140 DOC. 312.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 19, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK,

AS AT MARCH 31, 1929.

(cf. DOC. 309).

The following is a translation of the balance sheet of the Rentenbank as at March 31, 1929 as published in the Reichsanzeiger No. 90 of April 18, 1929.

ASSETS	February 28, 1929	March 31, 1929
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on February 28, 1929 Rt.M 1,199,844,000 as on March 31, 1929 Rt.M 1,199,844,000		
Loan to the Reich	657,326,625.64	655,605,128.36
Outstanding claim (Rentenbank-Kreditanstalt)	25,770,320.96	15,577,858.70
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	32,521,295.71	43,237,478.05
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	3,522,081.16	2,846,014.58

	February 28, 1929	March 31, 1929
L I A B I L I T I E S.		
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	517,005,630.-	515,284,133.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.-	156,000.-
Reserve out of profits	52,738,038.55	51,738,038.55
Reserves	5,824,037.22	6,836,832.22
Miscellaneous liabilities	645,304.16	500,892.30

Following the approval of the Balance Sheet by the General Meeting, RM 1 million have been deducted from the reserve out of profits for the years 1925/27 and added to the reserves.

Under § 7a of the Law on the liquidation of Rentenbank notes, a further Rt.M. 1,721,497.28 derived from interest payments by the owners of the mortgaged land have been paid into the sinking fund with the Reichsbank, and the loan to the Reich and the Rentenbank notes in circulation have been correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amount have accordingly been redeemed:

Rentenmarks	276,726,499.18	under § 7a	of the Law
"	255,000,000.-	" § 7b	" " "
"	82,750,870.75	" § 7c	" " "
"	880,334,583.-	" § 11	" " "
Total "	1,494,811,952.93		

The following is a translation of the balance sheet of the Rentenbank as at April 30, 1929 as published in the Reichsanzeiger No. 111 of May 16, 1929.

	March 31, 1929	April 30, 1929
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on March 31, 1929 Rt.M. 1,199,844,000 as on April 30, 1929 Rt.M. 1,199,844,000		
Loan to the Reich	686,836,128.34	682,839,313.--
Outstanding claim (Rentenbank-Kreditanstalt)	13,577,852.70	14,773,269.40
Balances in hand, giro accounts, postal cheque accounts and accounts with other banks	43,227,478.05	54,404,494.85
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,846,014.58	2,822,182.74

Transl. 6912.

I.I.9.4140 DOC. 313

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 16, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT APRIL 30, 1929.

(cf. DOC. 312)

The following is a translation of the balance sheet of the Rentenbank as at April 30, 1929 as published in the Reichsanzeiger No. 111 of May 15, 1929.

	March 31, 1929	April 30, 1929
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on March 31, 1929 Rt.M. 1,199,844,000 as on April 30, 1929 Rt.M. 1,199,844,000		
Loan to the Reich	655,605,128.36	638,239,313.--
Outstanding claim (Rentenbank-Kreditanstalt)	15,577,858.70	14,773,059.45
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	43,237,478.05	34,404,454.85
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,846,014.58	2,532,423.94

	March 31, 1929	April 30, 1929
LIABILITIES		
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	515,284,133.--	497,918,317.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	51,738,038.55	44,519,873.13
Reserves	6,836,832.22	6,836,832.22
Miscellaneous liabilities	500,892.30	503,014.18

Following the approval of the balance sheet by the General Meeting, the net profits from the business year 1928 of RM 2,781,834.58, and a further sum of RM 7,218,165.42 taken from the reserve out of profits for 1925-27 - RM 10,000,000 in all - have, under § 9 of the Law on the liquidation of Rentenbank notes, been transferred in cash to the Rentenbank Credit Institution.

Under § 7a of the Law on the liquidation of Rentenbank notes, a further Rt.M. 2,365,815.36 derived from interest payments by the owners of the mortgaged land and under § 7b Rt.M. 15,000,000 falling due on April 1 have been paid into the sinking fund with the Reichsbank, and the loan to the Reich and the Rentenbank notes in circulation have been correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amount have accordingly been redeemed :

Rentenmarks	279,092,314.54	under § 7a	of the Law
"	270,000,000.--	" § 7b	" " "
"	82,750,870.75	" § 7c	" " "
"	880,334,583.--	" § 11	" " "
Total "	1,512,177,768.29		

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 5, 1929.

REPORT OF THE GERMAN RAILWAY COMPANY FOR THE FOURTH BUSINESS YEAR 1928

(January 1 to December 31, 1928)

(cf. DOC. 293)

Complete translation of the first part of the German text published on June 5, 1929.

The Company entered upon its fourth business year (1928) under great difficulties. In our last report we pointed out that the new charges imposed upon the Company in 1927 to an amount of more than 650 millions, of which 450 millions had to be borne for the first time in 1928, could not be covered by economies or operating receipts. These fresh charges arose primarily through the increased expenditure in respect of the service of the Reparation bonds and the raising of officials' salaries and workers' wages, which the Company was unable to avoid. Simultaneously the prices of materials rose and resulted in higher expenditure.

The Company drew the attention of the Government of the Reich in 1927 to the necessity for a tariff increase early in 1928. But the formal application made by us after lengthy discussions was rejected on June 5, 1928, and a renewed application was referred, in agreement with the Government, to the Court of Arbitration for decision. The Court allowed the Company's application for a tariff increase to the extent of 250 millions, and based its award on the grounds that a considerably larger income was necessary for sound business administration. The financial results of 1928 have suffered from the delay in allowing a tariff increase. The heavier charges in the Operating

Account and in the Profit and Loss Account as compared with 1927 were offset by only a limited increase of operating receipts. Once again it is clear that in consequence of the legislation in force the administration of the Company is dependent upon very special factors.

In the previous report we stated that we had succeeded, although the terms were severe, in issuing GM 200 millions of preference shares. This helped to relieve the shortage of liquid funds; it was also possible to continue a part at any rate of the works in the programme under the account for the increase of plant. All further attempts to provide the Company with additional funds during 1928 and up to the time of writing have failed, owing to the peculiar financial structure of the Company and the restrictions imposed thereby.

In these circumstances it is absolutely essential to postpone even expenditure which is desirable or even required in the interests of the development of traffic and its adaptation to technical progress. Many justifiable complaints cannot meet with response, and certain inconveniences have to be borne until sound conditions are re-established. Priority must be given unhesitatingly over all other claims and wishes to the maintenance of operating safety and the fulfilment of the financial charges imposed upon the Company. Even if the restrictions, which at present prevent the Company from having recourse to the money market, were to be abolished, it would only be possible to carry out the most urgent new work, owing to the large amount of arrears still remaining from the war, the inflation and the occupation.

The tariff increase in virtue of the award pronounced by the Railway Court on August 24, 1928, was applied to goods traffic on October 1, and to passenger and baggage traffic on October 7 (the day on which the new time-table was introduced). It is as yet impossible to judge the full financial effects of the increase either in the case of passenger traffic or in the case

of goods traffic, for the reason that the increase came into force at a time when the trade decline in Germany was beginning to have its effect upon freight business. October indeed yielded the expected increase of receipts by comparison with the previous year; but receipts in the subsequent months fell short of expectations, and in the case of goods traffic they even fell short of the receipts in the corresponding period of 1927. This decline is probably largely a consequence of the industrial disputes in the western industrial area; but in addition there are other circumstances - more particularly the exceptional cold spell in the early months of 1929 - which make it impossible as yet to form a definite opinion on the results of the tariff increase.

Until October the favourable development of receipts made it possible to relax the severe restriction of material expenditure enforced at the beginning of the year, particularly in the case of maintenance of the permanent way and the strengthening of bridges, and to provide for normal upkeep. But the decline of receipts during the last few months of the business year obliged the Company to resort once more to drastic restrictions with all their consequent effects upon the German economy.

Operating receipts totalled RM 5,159 millions, as against RM 4,294 millions expended upon operation, upkeep and renewals. The comparison of operating payments and operating receipts yields an operating coefficient of 83.24 (82.53 in 1927). Of the operating surplus of RM 865 millions the sum of RM 658.3 millions was devoted to interest and amortisation of the reparation bonds, RM 2.5 millions to the service of new bonds and loans, while RM 103.2 millions were assigned to the legal reserve and RM 25 millions to the reserve for writing off the concession. Of the net profit remaining, RM 75.7 millions are for the preference dividend on preference shares already issued.

For the first time the "standard" payments in respect of the service of the reparation bonds have been made over an entire business year. RM 658 millions were allocated to this purpose (i.e., interest and amortisation of RM 11 milliards of reparation bonds). In addition RM 290 millions out of the RM 319 millions collected from the transport tax went towards reparations. Further, the Company had to pay RM 35 millions representing the preference dividend on the GM 500 millions of preference shares handed over to the Reich under the Railway Law. All these payments were made punctually on the stipulated dates.

Of the GM 2 milliards of preference shares at the disposal of the Company under the Railway Law, RM 881 millions had been issued by the end of the third business year (1927), leaving GM 1,119 millions in the possession of the Company. During the fourth business year (1928) it was possible, in spite of great difficulties on the capital market, to place GM 200 millions of preference shares series V. The proceeds were utilised to cover expenditure on capital account, but, as already mentioned, only partly covered the capital requirements of the business year. On December 31, 1928, the Company still held GM 919 millions of unissued preference shares.

Despite the restrictions at the beginning of the year it was possible to carry out the current upkeep and renewal of the permanent way according to plan. We have endeavoured to obtain a maximum return with a minimum of expenditure by improved methods of work and perfected appliances. Owing to the scarcity of funds it was unfortunately only possible to complete the work on 100 km of the 7,700 km of permanent way, the renewal of which has been in arrears since the war and post-war period. It is urgently necessary to obtain liquid funds in the next few years for the purpose of gradually making up these arrears. The same applies to the strengthening of large numbers of bridges. The extensive work of converting the Berlin urban and suburban

railways to electric traction is nearing completion. During the business year 1928 it was possible to replace a part of the steam trains by electric trains, and the complete electric service was inaugurated on May 15, 1929. The advantages of electrical operation (viz. shorter journeys and a greater frequency of trains) will now make themselves fully felt. The long-distance electrified system in Bavaria and Silesia was extended and completed.

Elsewhere constructional and new constructional work suffered from the scarcity of capital. Nevertheless the system has been extended by 215 km, largely by means of credits advanced by the Reich and the States. In addition individual stations and sections of the system were enlarged and reconstructed, more especially in the Rhine and Ruhr districts.

The locomotive and freight car parks exceed the requirements of the service, while there is a shortage of certain special types. There was a scarcity of passenger cars, particularly of 2nd class cars, as a result of the greater demand for this class after the amalgamation of the 3rd and 4th classes. The necessary orders to cover the additional requirements have been placed. It was not altogether possible to avoid makeshifts during the transition period.

The general improvement of all types of existing rolling stock - e.g. by fitting stronger draw and buffer gear, draw-hooks and couplings, and by equipping corridor cars with electric lighting - was continued in so far as the available funds permitted.

The workshops were able to cope with the demands of the service. Three further departments were closed down during the business year in pursuance of the policy of economy.

Passenger traffic developed favourably. The Company endeavoured to adjust the time-table to the growth of professional, local and long-distance traffic. To meet the requirements of modern traffic speed was increased,

particularly in long-distance traffic (FD express trains) and on the international services, in so far as operating safety permitted. The "Rheingold" express train from Holland to Switzerland, composed of saloon-dining cars, has helped to increase traffic. The number of cheap special trains and Sunday return tickets was further increased in order to encourage holiday and excursion traffic. Including professional traffic and the reductions granted for social reasons, practically 55 per cent of the passengers conveyed in 1928 were transported at reduced fares as compared with 52 per cent in 1927.

The abolition of the 4th class was a change of the first importance. Since October 7 there has been in principle only one wooden-seated class (the 3rd class) and one upholstered class (the 2nd class). The 1st class is now only maintained generally speaking on long distance expresses and on international trains.

The volume of goods traffic was approximately the same as in 1927, traffic during the first ten months of the business year being satisfactory and higher than in 1927 but afterwards suffering a considerable decline. The regular bulk services in big freight cars, which are equally advantageous to customers and to the Company, are being increasingly patronised.

Motor traffic, which is growing persistently, is encroaching more and more in all countries upon the sphere of the railroads, particularly in the case of goods for which high rates are charged. Whereas the railways are under legal obligation to accept all goods for conveyance and to transport them at tariffs which have to be published and applied without discrimination, motor traffic is able to select the profitable types of goods. In this way the leading position occupied by the railways among means of transport is being seriously undermined.

The tariff increase introduced on October 1 has not changed the basic principles of the goods tariff system. Roughly speaking only the emergency

tariff for foodstuffs and the special tariff for fresh potatoes were exempted from the increase. The competitive tariffs were adjusted to the changed position. Simultaneously the postponed tariff reductions for coal, iron and steel, and for iron, steel and metal-wares exported over the land frontiers, together with the hay and straw tariff reductions were introduced. In addition the year 1928 witnessed a large number of individual tariff reductions for the benefit of the business community. In order to promote exports and to encourage co-operation between the Reichsbahn and shipping, we have again increased the number of special seaport tariffs and internal trans-shipment tariffs. Traffic with foreign countries is to be increasingly facilitated and cheapened by the introduction of direct tariffs.

Unfortunately the Reichsbahn was the victim during 1928 of several serious accidents, which gave rise among the public to doubts in respect of the operating safety. The thorough enquiries of a special committee appointed under the supervision of the Transport Ministry, which included well-known experts, members of the Reichstag and representatives of the staff, have borne out the fact that the operating safety of the system is ensured to the extent which can reasonably be demanded from a public undertaking. This is supported by the accident statistics, for the number of accidents is smaller than in 1927 despite the appreciable growth of traffic. The Company will emphatically and conscientiously do all in its power to reduce, and where possible to eliminate, the sources of danger.

The staff which has dropped to roughly 700,000, corresponds to the actual requirements of the service. In general bed-rock conditions have now been reached in this matter. The growth of pension charges, which amounted in 1928 to some RM 482 millions, is a source of anxiety. Close investigation of the position has revealed the fact that in 1946 these charges will have increased to some RM 600 millions.

The workers' wages were last raised on April 1, 1928, in virtue of the award pronounced on March 21, 1928, by agreement between the contracting parties to the tariff. The wage increase entailed an additional expenditure of roughly RM 60 millions per annum, not including the additional social charges of roughly RM 7 millions. After the conclusion of the business year the unions signatory to the wage tariff contract denounced the new wages in force since April 1, 1928, on March 31, 1929, and appealed to arbitration. The award, if enforced, will entail a further additional expenditure of roughly RM 43 millions per annum and an increase of roughly RM 5 millions in the social charges.

The Balance Sheet as at December 31, 1928 and the Profit and Loss Account for the year 1928 call for the following remarks.

The balance sheets and all other closing figures of the German Railway Company are calculated in Reichsmarks. The capital of the Company - ordinary shares and preference shares - is expressed in gold marks in virtue of the Railway Law, while payments in respect of reparation bonds have also to be made in gold marks. The adjustment in respect of fluctuations of the exchange has in this year resulted in a saving in reichsmarks.

Annual closing of accounts

The annual closing of accounts embraces receipts and payments in the operating account. The expenditure this year, as last year, has been subdivided as follows :

I. Expenditure in respect of operation and maintenance;

II. Expenditure on renewal of plant.

In the year 1928 the German Railway Company again complied with § 9 of the Railway Law by maintaining and developing the plant, rolling stock and accessories according to traffic requirements and the progress in railway technique. Expenditure on renewals is covered by operating receipts. The obligation to effect renewals corresponds to the writing down of other forms of business undertakings.

Profit and Loss Account.

The Profit and Loss Account shows the sum of RM 173,171,673.21 "brought forward from the business year 1927" together with the "operating surplus" of RM 864,860,373.64.

The item on the debit side "service of reparation bonds" is in conformity with the terms of the Railway Law (§ 4) and the statutes of the Company (§§ 8 and 25). Of the total amount of RM 658,337,735.00, RM 545,106,485.00 were for interest and RM 113,231,250.00 for legal amortisation.

An agreement has been reached with the Trustee for the Railway Bonds in virtue of which the interest saved under the system of semi-annual payments as against the annual amortisation is to be devoted to amortisation of the bonds.

The item "to legal reserve" is prescribed in § 25 of the Company's statutes.

The interest on the Reich credits, which are dealt with in detail in connection with the balance sheet, appears under "service of new bonds and loans". The item "to reserve for writing off concession" is also discussed in the same connection.

The "net profit" (including the balance brought forward from the previous year) amounts to RM 249,008,861.42. The Board has decided to utilise this sum as follows:

a preference dividend of 7 per cent on the preference shares issued ..... RM 75,670,000.00.

Of the above sum RM 12,250,000 had to be set aside in respect of an advance payment of a 3½ per cent preference dividend on January 2, 1929, since made, on the preference shares of series IV and V to the value of GM 350 millions. The preference dividends on series I, II, III and the balance of series IV and V are payable on the third day after the balance sheet has been approved by the Board.

The balance of RM 173,338,861.42 is carried forward to the new account.

Balance Sheet.

The "concession in respect of the (original) property taken over" is valued at an amount corresponding to the Company's legal obligations, i.e.

Ordinary shares		RM 13,000,000,000
Reparation Bonds		" 11,000,000,000
Preference shares	RM 2,000,000,000	
of which	" 1,500,000,000	
represent the part, the proceeds of which go to the Company		" 500,000,000
	Together	RM 24,500,000,000

"Legal writing off" in the case of the item "concession in respect of the (original) property taken over" and "legal amortisation" in respect of the item "reparation bonds" totalled up to

December 31, 1927	RM 36,666,666.67
to this must be added in 1928	" 113,231,250.00
making a total on December 31, 1928 of	RM 149,897,916.67

As regards "concession in respect of increases of plant" the balance sheet as at December 31, 1927, showed

the sum of ..... RM 995,141,607.76
the increase in 1928 totalled ..... " 285,672,795.25

so that the present balance sheet shows .....RM 1,280,814,403.01

The expenditure in question resulted in a growth of plant or an increase of value.

The following remarks may be made with regard to the "preference shares" :

1. Issued to the Reich in 1925 :
   GM 500,000,000 7 per cent preference shares - Series I.
   GM 124,000,000 7 " " " " " II.

   Issued to the Reich in 1926 :
   GM 107,000,000 7 per cent preference shares - Series III.
2. There were also issued to the public in 1926 :
   GM 150,000,000 7 per cent preference shares - Series IV.

   Issued to the public in 1928 :
   GM 200,000,000 7 per cent preference shares - Series V.

In accordance with § 4 of the Railway Law and § 8 of the Company's statutes "reparation bonds" have been entered for the value of RM 11,000,000,000. Of this amount RM 149,897,916.67 have as mentioned been amortised.

The "working supplies" cover the stocks of working material, permanent way and building materials, materials for electrical plant, workshop material and spare parts. The value at the end of 1927 amounted to RM 407,538,963.44. At the end of 1928 it had fallen by RM 96,902,180.97 to RM 310,636,782.47. The valuation was carefully carried out in application of the provisions contained in § 261 figure 1 of the Commercial Code.

"Cash in hand" is shown at RM 76,912,907.30 in the 1928 balance sheet as compared with RM 66,080,047.05 in the 1927 balance sheet.

The "credit balances with banks" (RM 374,109,090.97 in 1927) have risen by RM 158,677,693.34 to a total of RM 532,786,784.31. The greater part of this item represents the investment of the legal reserve and compromises the sums held in preparation for the preference dividend shortly maturing.

The items "securities" and "bills" represent investments in which a further part of the legal reserve has been absorbed.

The claims "on traffic receipts account" are due principally to the fact that receipts due in respect of traffic with other railways cannot be calculated to their entire amount before the close of the year.

"Other claims" are mostly building loans. Loans which the Company has obtained from third parties, for example from public bodies for the continuance of constructional work already begunm appear under "other debts". The items are shown at their respective values.

The "temporary accounts" amounting to RM 77,331,374.21 serve to delimit the two years 1928 and 1929. The sum required in preparation for the preference dividend (advance payment series IV and V) is no longer shown on the assets side of the balance sheet as a separate item, but is included in the "temporary accounts".

The "guarantees" to the amount of RM 6,372,078.52 shown for purposes of information, have been assumed mainly for the promotion of the construction of dwelling-houses by the building cooperatives of the Reichsbahn employees: they have facilitated the substitution of mortgage loans in the place of advances by the employer.

The "holdings in other undertakings" have increased by RM 1,100,000 from RM 16,500,000 to RM 17,600,000. Their value has been estimated with prudence.

The net property of the German railway concern, to the value of RM 756,085,548.72, was transferred to the Company on October 1, 1924. This sum is shown in the opening balance sheet as "working reserve" and is shown in the present balance sheet, as in 1927, at the same figure.

With a view to making provision from the outset for writing-off the concession in respect of increases of plant, the special "reserve for writing-off concession" was increased by RM 25,000,000 from RM 340,000,000 to RM 365,000,000. The sum which it was possible to assign in 1928 to the reserve for writing-off concession was smaller than in previous years. It was not thought advisable to reduce the profits carried forward in order to set aside a larger sum to this reserve, as this would only have been equivalent to making a transfer from one reserve to another.

The "caution monies (Pfandgelder) and suspense accounts" included under "sundry debts" are derived from current business.

The credit "for the continuance of suspended constructional work" which totalled RM 53,313,000, was drawn on to the extent of RM 48,511,072.41 down to the end of 1928, in conformity with the progress in constructional work.

The whole of the books from which the accounts have been made up, and the closing-of-accounts figures including the balance sheet and the profit and loss account, have been audited by the Central Audit Office of the German Railway Company and found correct. Further, Professor Dr Schmalenbach of Cologne and Herr W. Susat, Director of the Deutsche Revisions- und Treuhand-Aktiengesellschaft of Berlin, have examined the balance sheet and the profit and loss account, as experts of the Board, with a view to ascertaining whether they have been drawn up in accordance with the provisions of the Railway Law and the Company's Statutes. They have found the balance sheet to be correct subject to the reservation that the reserve for writing off concession hitherto

accumulated is inadequate so long as no agreement with the Government of the Reich is concluded in accordance with § 8 of the Railway Law. The Board is of the opinion that, in view of the amount of the reserve for writing-off concession hitherto accumulated and the nature of the Company's existing liabilities, § 8 of the Railway Law is not definitely involved in the case of the 1928 balance sheet.

In accordance with § 13 of the Company's Statutes, Messrs Blum, Buck, Ott, Habich, Mance and Margot retired by lot. Herr Luther resigned his seat. The Government of the Reich appointed Herren Herrmann, Schmitz and Welker as new members of the Board, and replaced Herr Luther by Herr Jeidels. The Trustee for the Railway Bonds reappointed Messrs Mance and Margot, and newly appointed Herr Silverberg. The Board wishes to take this opportunity of thanking the members who have retired for their collaboration.

The past business year has made great calls upon the German Railway Company. Before closing the report we desire to thank the officials, employees and workers of the Company for the loyal fulfilment of their duties.

Berlin, May 29, 1929.

The Chairman of the Board	The General Manager
C.F. v. SIEMENS	DORPMÜLLER

ANNUAL CLOSING OF ACCOUNTS 1928.

OPERATING ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1928.

	RM.
OPERATING RECEIPTS	
Passenger Traffic	1,443,338,036.54
Goods Traffic	3,276,357,469.51
Other receipts	439,534,808.85
Total:	5,159,230,314.90
OPERATING PAYMENTS	
I. Payments in respect of operation and maintenance	
a) Payments to Staff	
Salaries of officials	1,205,928,311.39
Wages of employees and workmen	459,833,918.16
Pensions and retaining pay of officials, pensions of widows and orphans	482,233,490.81
Other payments	297,054,583.98
Total:	2,445,050,304.34
Less: General expenditure for renewals and increase of plant	80,169,107.37
Balance a) Payments to Staff	2,364,881,196.97
b) Payments for Material	
Maintenance of supplies and working material	449,897,978.26
Maintenance of permanent way and structures	285,159,766.47
Maintenance of rolling stock and machinery	472,189,685.98
Other payments	108,462,462.45
Total:	1,315,709,893.16
Less: General expenditure for renewals and increase of plant	34,358,188.87
Balance b) Payments for Material	1,281,351,704.29
Total I a) and b) : Payments in respect of operation and maintenance	3,646,232,901.26
II. Payments for renewal of railway plant	
Renewal of supplies	2,230,755.98
Renewal of permanent way and structures	392,537,723.66
Renewal of rolling stock and machinery	253,368,560.36
Total II : Payments for Renewals	648,137,040.00
Total I and II : Operating Payments	4,294,369,941.26
Giving a surplus of :	864,860,373.64

PROFIT AND LOSS ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1928.

Dr.		RM.	Cr.	RM.
Service of Reparation Bonds RM. 658,337,735.00 distributed as follows:			Brought forward from 1927	173,171,673.21
a) interest on Reparation Bonds		545,106,485.00	Operating surplus from 1928	864,860,373.64
b) legal amortisation of Reparation Bonds and corresponding writing off of concession in respect of the (original) property taken over		113,231,250.00		
Service of new bonds and loans		2,500,844.13		
To legal reserve		103,184,606.30		
To reserve for writing off concession		25,000,000.00		
Net profits		249,008,861.42		
To be distributed as follows:				
Preference dividends:				
Advance payment on Series IV and V	RM. 12,250,000.00			
As yet undistributed (Series I,II,III, balance of Series IV and V)	63,420,000.00	75,670,000.00		
Carried forward to 1929		173,338,861.42		
		249,008,861.42		
		1,038,032,046.85		1,038,032,046.85

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BALANCE SHEET OF THE GERMAN RAILWAY

Assets

	RM.	RM.
Concession in respect of the (original) property taken over	24,500,000,000.00	
less legal writing off to end of previous year	36,666,666.67	
in 1928	113,231,250.00	149,897,916.67	24,350,102,083.33
Concession in respect of increase of plant		1,280,814,403.01
Working supplies		310,636,782.47
Cash in hand		76,912,907.30
Credit balances with banks		532,786,784.31
Securities		165,211,178.53
Bills		495,573.00
Claims	RM.	
on traffic receipts account	18,681,853.93	
on insurance welfare organisations .	205,387.63	
other claims	76,663,528.64	95,550,770.20
Temporary accounts		77,331,374.21
Guarantees ..... RM 6,372,078.52		-
Holdings in other undertakings		17,600,000.00
Total		26,907,441,856.36

Gold mark amounts are entered at the rate of 1 gold mark = 1 RM.

Berlin, May 29, 1929.

COMPANY AS AT DECEMBER 31, 1928.

Liabilities

			RM.
Ordinary shares			13,000,000,000.00
Preference shares:			
a) the proceeds of which the Reich is entitled to claim			500,000,000.00
b) the proceeds of which go to the German Railway Company .. RM 1,500,000,000.00			
less those not yet issued		919,000,000.00	581,000,000.00
Reparation bonds		11,000,000,000.00	
less legal amortisation			
	RM		
to end of previous year	36,666,666.67		
in 1928	113,231,250.00	149,897,916.67	10,850,102,083.33
Legal reserve (Ausgleichsrücklage)			408,159,656.42
Working reserve (Betriebsrücklage)			756,085,548.72
Reserve for writing off concession			365,000,000.00
Sundry debts:		RM.	
Caution moneys (Pfandgelder) and Suspense accounts		4,800,469.78	
Credits of the Reich:	RM.		
for combating unemployment	80,000,000.00		
for continuance of suspended constructional work	48,511,072.41	128,511,072.41	
Insurance and welfare organisation		3,350,035.20	
Other debts		61,424,129.08	198,085,706.47
Guarantees ..... RM 6,372,078.52			-
Net profit			249,008,861.42
To be distributed as follows:			
Preference dividends:	RM.		
Advance payment on Series IV and V .	12,250,000.00		
As yet undistributed (Series I,II,III and balance of Series IV and V).	63,420,000.00	75,670,000.00	
Carried forward to 1929		173,338,861.42	
		249,008,861.42	
Total			26,907,441,856.36

THE GERMAN RAILWAY COMPANY

Chairman of the Board — C.F. von SIEMENS

General Manager — DORPMÜLLER

STATISTICS SHOWING IMPORTANT RESULTS OBTAINED IN THE BUSINESS YEAR 1928 AS COMPARED WITH 1925, 1926 AND 1927.

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I. Average length of lines worked	21 - 40	2
II. Operating returns		
A. Locomotive-kilometers	101 - 129	3 - 4
B. Train and car axle-kilometers	131 - 195	5 - 6
C. Operating ton-kilometers in goods and passenger traffic	201 - 214	7
D. Utilisation of freight and passenger cars	221 - 244	8 - 9
III. Traffic returns		
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Quantities of goods transported and tariff-ton-kilometers	301 - 326	10 - 11
Results of goods traffic calculated according to tariffs	351 - 366	12 - 14
B. Passenger traffic	381 - 388	15 - 17
IV. Freight Cars supplied		
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B. For coal, coke and briquettes per working day in units of 10 tons	411 - 414	19
V. Locomotive Park	431 - 446	20
VI. Motor coach Park	451 - 467	21
VII. Passenger, baggage and freight car Park	481 - 494	22 - 23
VIII. Fuel and lubricants consumed when operating under steam	501 - 512	24
IX. Workshops	521 - 537	25
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XI. Receipts	601 - 634	27 - 28
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NUMBER OF WORKING DAYS.

1			2			3	4			5		
1925 Calendar year			1926				1927			1928		
Working days	Sundays and holidays	Total	Working days	Sundays and holidays	Total	Description	Working days	Sundays and holidays	Total	Working days	Sundays and holidays	Total
305	60	365	306	59	365	1. Goods traffic	306	59	365	306	60	366
365	-	365	365	-	365	2. Passenger traffic	365	-	365	366	-	366
305	60	365	306	59	365	3. Freight cars supplied - as a whole	306	59	365	306	60	366
303½	61½	365	302½	62½	365	4. Freight cars supplied - in the Ruhr	303½	61½	365	304	62	366
300	65	365	299	66	365	5. Freight cars supplied - in Upper Silesia	301	64	365	299	67	366
305	60	365	306	59	365	6. Freight cars supplied - in Lower Silesia	306	59	365	306	60	366
305	60	365	306	59	365	7. Freight cars supplied - in Central Germany	306	59	365	306	60	366
305	60	365	306	59	365	8. Receipts	306	59	365	306	60	366
April 12 and 13			April 4 and 5			Easter fell on	April 17 and 18			April 8 and 9		
May 31 and June 1			May 23 and 24			Whitsuntide fell on	June 5 and 6			May 27 and 28		

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I. AVERAGE LENGTH OF LINES WORKED

Kilometers

1	2	3	4	5
1925 calendar year	1926	Nature of lines	1927	1928
30,399.89	30,474.05	21. Main lines - generally	30,503.09	30,352.02
21,892.58	21,928.18	22. Secondary lines - generally	22,108.10	22,379.04
52,292.47	52,402.23	23. Standard gauge - generally (21 + 22)	52,611.19	52,731.06
51,871.13	51,964.89	24. Standard gauge for goods traffic	52,165.84	52,304.80
50,472.74	50,544.81	25. Standard gauge for passenger traffic	50,721.37	50,811.94
935.12	934.48	26. Narrow gauge - generally	934.67	936.15
934.70	934.06	27. Narrow gauge for goods traffic	934.25	935.73
861.76	861.76	28. Narrow gauge for passenger traffic	861.76	861.75
53,227.59	53,336.71	29. Lines - generally (23 + 26)	53,545.86	53,667.21
52,805.83	52,898.95	30. Lines for goods traffic (24 + 27)	53,100.09	53,240.53
51,334.50	51,406.57	31. Lines for passenger traffic (25 + 28)	51,583.13	51,673.69
52,279.65	52,359.86	32. Lines worked by steam ..... (29)	52.408.07	52,261.61
947.94	976.85	33. Lines worked by electricity .... (29)	1,137.79	1,405.60
690.85	690.85	34. Lines navigated by ship - generally	690.85	685.85
676.65	676.65	35. Lines navigated by ship for goods traffic	676.65	671.65
376.85	376.85	36. Lines navigated by ship for passenger traffic ..	376.85	371.85
187.75	187.75	37. Lines navigated by ship for the conveyance of railway rolling stock on own wheels	187.75	187.75
53,235.12	53,416.42	38. Length of lines owned - generally	53,535.29	53,749.97
		distributed as follows :		
11.36	11.40	39. per 100 sq.km. surface	11.42	11.47
8.53	8.56	40. per 10,000 inhabitants	8.58	8.61

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II. OPERATING RETURNS

A. Locomotive-kilometers in thousands

1		2		3	4		5	
1925 Calendar year		1926		Nature of returns	1927		1928	
	%		%	**Goods traffic**		%		%
206,950	43.09	219,772	45.80	101. Train-kilometers	235,128	46.39	247,466	47.50
4,181	0.87	3,821	0.80	102. Hauling and banking service kilometers	4,553	0.90	4,468	0.86
28,734	5.98	30,536	6.36	103. Empty trip kilometers	31,618	6.24	32,822	6.30
179,854	37.44	168,157	35.04	104. Shunting service in km	176,370	34.80	175,510	33.69
8,217	1.71	7,411	1.54	105. Stand by service in km	7,210	1.42	7,630	1.46
52,395	10.91	50,185	10.46	106. Standing by under steam in km	51,980	10.25	53,060	10.19
480,331	100.00	479,882	100.00	107. Total 101 - 106	506,859	100.00	520,956	100.00
				Passenger traffic				
326,862	73.89	347,200	75.45	111. Train-kilometers	366,039	76.40	394,331	76.88
3,490	0.79	2,487	0.54	112. Hauling and banking service kilometers	2,570	0.54	2,522	0.49
8,011	1.81	8,680	1.89	113. Empty trip kilometers	8,816	1.84	10.014	1.95
53,050	11.99	51,921	11.28	114. Shunting service in km	52,023	10.86	55,289	10.78
7,681	1.74	7,091	1.54	115. Stand by service in km	6,740	1.40	6,881	1.34
43,261	9.78	42,770	9.30	116. Standing by under steam in km	42,919	8.96	43,895	8.56
442,355	100.00	460,149	100.00	117. Total 111 - 116	479,107	100.00	512,932	100.00
				Service traffic				
4,044	13.24	4,492	15.95	118. Train-kilometers	5,016	15.95	4,472	15.94
28	0.09	25	0.09	119. Hauling and banking service kilometers	31	0.10	45	0.16
4,656	15.24	4,589	16.30	120. Empty trip kilometers	5,123	16.29	4,569	16.29
14,841	48.58	13,032	46.29	121. Shunting service in km	14,553	46.29	12,974	46.26
1,818	5.95	1,429	5.08	122. Stand by service in km	1,595	5.08	1,423	5.07
5,164	16.90	4,587	16.29	123. Standing by under steam in km	5,123	16.29	4,567	16.28
30,551	100.00	28,154	100.00	124. Total 118 - 123	31,441	100.00	28,050	100.00

II. OPERATING RETURNS (continued)

A. Locomotive-kilometers in thousands (continued)

1		2		3	4		5	
1925 Calendar year		1926		Nature of returns	1927		1928	
	%		%			%		%
953,237	100.00	968,185	100.00	125. Total locomotive-km (107+117+124)	1,017,407	100.00	1,061,938	100.00
				distributed as follows:				
480,331	50.39	479,882	49.56	a) Goods traffic (107)	506,859	49.82	520,956	49.06
442,355	46.41	460,149	47.53	b) Passenger traffic (117)	479,107	47.09	512,932	48.30
30,551	3.20	28,154	2.91	c) Service traffic (124)	31,441	3.09	28,050	2.64
934,725	98.06	942,448	97.34	d) Steam driven	985,936	96.91	1,022,549	96.29
13,492	1.41	12,707	1.31	e) Electrically driven	14,717	1.45	17,256	1.63
		6,151	0.64	f) Electric motor coaches	7,862	0.77	12,365	1.16
5,020	0.53	6,879	0.71	g) Other types of locomotive	8,892	0.87	9,768	0.92
545,555	100.00	577,797	100.00	126. Of the total locomotive-kilometers (125) the total of productive km	613,337	100.00	653,304	100.00
				is distributed as follows:				
211,131	38.70	223,593	38.70	a) Goods traffic (101+102)	239,681	39.08	251,934	38.56
330,352	60.55	349,687	60.52	b) Passenger traffic (111+112)	368,609	60.10	396,853	60.75
4,072	0.75	4,517	0.78	c) Service traffic (118+119)	5,047	0.82	4,517	0.69
528,946	96.96	554,834	96.03	d) Steam driven	584,681	95.33	617,085	94.46
11,923	2.18	10,279	1.78	e) Electrically driven	12,232	1.99	14,439	2.21
		6,077	1.05	f) Electric motor coaches	7,701	1.26	12,154	1.86
4,686	0.86	6,607	1.14	g) Other types of locomotive	8,725	1.42	9,626	1.47
9,717	.	11,097	.	127. Returns of 2nd,3rd and 4th motor coaches in motor-coach trains	14,799	.	21,633	.
.	.	.	.	128. Trial runs in workshops, locomotive empty trip runs from and to railway repair shop	6,136	.	7,199	.
				distributed as follows:				
.	.	.	.	a) Steam driven	6,032	.	7,072	.
.	.	.	.	b) Other types	104	.	127	.
2,140,136	.	2,195,036	.	129. Locomotive-unit-km steam driven	2,355,575	.	2,472,713	.

II. OPERATING RETURNS (continued)

B. Train and car-axle-kilometers in thousands

1	2	3	4	5
1925 calendar year	1926	Nature of returns	1927	1928
		Goods traffic		
206,680	218,993	131. Train-kilometers	234,733	247,232
678	716	132. " " daily return (131 : 1)	767	808
15,745,274	17,208,186	133. Axle-kilometers in goods trains	18,737,322	19,354,945
51,624	56,236	134. " " " " " daily return (133 : 1) ...	61,233	63,251
76	79	135. Composition of trains (133 : 131) axles	80	78
0.02	0.02	151. Hauling and banking service - locomotive-km per 1 train-km (102 : 131) .....km	0.02	0.02
0.14	0.14	152. Empty trip locomotive-kms per 1 train-kilometer (103 : 131) .....km	0.13	0.13
0.87	0.77	153. Shunting service locomotive-kms per 1 train-kilometer (104 : 131) .....km	0.75	0.71
0.29	0.26	154. Stand by service locomotive-kms and standing by under steam-kms per 1 train-kilometer (105 + 106 : 131) .....km	0.25	0.25
2.32	2.19	155. Total locomotive-kms per 1 train-kilometer (107 : 131) .....km	2.16	2.11
3.91	4.14	156. Density of traffic : train-kilometer per 1 km length of line worked (131 : 30)	4.42	4.64
298.17	325.30	157. Density of traffic - axle-km per 1 km of line worked (133 : 30)	352.87	363.54
		Service traffic		
4,021	4,556	161. Train-kilometers	4,936	4,388
94,657	118,867	162. Axle-kilometers	101,711	75,619

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II. OPERATING RETURNS (continued)

B. Train and car axle-kilometers in thousands (continued)

1	2	3	4	5
1925 Calendar year	1926	Nature of returns	1927	1928
		Passenger traffic		
327,241	346,037	171. Train-kilometers	366,144	394,581
897	948	172. " " daily return (171 : 2)	1,003	1,078
9,260,675	9,243,369	173. Axle-kilometers	9,784,711	10,391,519
25,372	25,324	174. " " daily return (173 : 2).....	26,807	28,392
28	27	175. Composition of trains (173 : 171) axles	27	26
0.01	0.01	181. Hauling and banking service locomotive-kms per 1 train-km (112 : 171)..... km	0.01	0.01
0.02	0.03	182. Empty trip locomotive-kms per 1 train-km (113 : 171)..... km	0.02	0.03
0.16	0.15	183. Shunting service locomotive-kms per 1 train-km (114 : 171)..... km	0.14	0.14
0.16	0.14	184. Stand by service lovomotive-kms & standing by under steam kms per 1 train-km (115 + 116 : 171)..... km	0.14	0.13
1.35	1.33	185. Total locomotive-kms per 1 train-km (117:171) km	1.31	1.30
6.37	6.73	186. Density of traffic : Train-kms per 1 km length of line worked (171:31)	7.10	7.64
180.40	179.81	187. Density of traffic : Axle-kms per 1 km length of line worked (173:31)	189.69	201.10
		Total		
537,942	569,586	191. Train-kms (131 + 161 + 171)	605,813	646,201
25,100,606	26,570,422	192. Axle-kms (133 + 162 + 173)	28,623,744	29,822,083
47	47	193. Composition of trains (192 : 191) axles	47	46
10.11	10.68	194. Density of traffic : Train-kms per 1 km length of line worked (191:29)	11.31	12.04
471.57	498.16	195. Density of traffic : Axle-kms per 1 km length of line worked (192:29)	534.57	555.69

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II. OPERATING RETURNS (continued)

C. Operating ton-kilometers in goods and passenger traffic

1	2	3	4	5
1925 Calendar year	1926	Nature of returns	1927	1928
		Goods traffic		
.	70,503	201. Operating net ton-kms in millions ..... distributed as follows:	77,207	78,594
.	882	a) passenger trains	924	856
.	69,621	b) goods trains (including service trains)	76,283	77,738
.	153,052	202. Operating gross ton-kms in millions ..... distributed as follows:	169,466	175,408
.	2,674	a) passenger trains	3,271	3,154
.	150,378	b) goods trains (including service trains)	166,195	172,254
.	82,549	203. Ton-kilometers of dead load in millions (202-201) ..	92,259	96,814
.	46.06	204. Relation of net ton-kilometers to gross ton-kilometers (201 : 202) ..... %	45.56	44.81
.	161	205. Average transport distance (201 : 301) ..... km	156	163
.	311.44	206. Goods train weight, productive load 201 b : (131 + 161) in tons	318.28	308.95
.	672.68	207. Goods train weight, gross load 202 b : (131 + 161) in tons	693.44	684.58
		Passenger traffic		
.	73,722	211. Operating gross ton-kms in passenger trains in millions	79,215	85,962
.	213.05	212. Passenger train weight, gross load (211:171) in tons	216.35	217.86
		Together		
.	224,100	213. Operating gross ton-kms of total traffic (202 b + 211) in millions ..... comprising:	245,410	258,216
.	218,700	a) steam-driven	238,171	248,667
.	5,400	b) other types of locomotive	7,239	9,549
.	2.2	214. Operating gross ton-kms on new lines in millions ...	6.1	5.1

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars

1	2	3	4	5
1925 Calendar year	1926	Nature of returns	1927	1928
		Freight cars		
11,166,168	11,972,031	221. Axle-kms of loaded freight cars in thousands	13,398,799	13,827,106
4,404,809	5,026,051	222. " " empty freight cars in thousands ..	5,064,792	5,184,712
15,570,977	16,998,082	223. " " loaded and empty freight cars, total in thousands	18,463,591	19,011,820
473,431	508,234	224. " " baggage cars in goods trains in thousands	566,019	591,861
.	87,132	225. " " railway cars for postal purposes in thousands	94,885	61,026
16,309,000	17,769,233	226. " " all cars in goods trains (including service trains) and freight cars in passenger trains in thousands	19,298,435	19,876,891
17.71	70.43	227. Ratio of axle-kms of loaded freight cars to those of loaded and empty freight cars (221 : 223) ..... %	72.57	72.73
.	5.69	228. Productive load per loaded freight car axle (201 : 221) ..... tons	5.76	5.68
.	4.15	229. Productive load per axle loaded and empty (201 : 223) ..... tons	4.18	4.13
.	8.61	230. Gross load per axle (202 : 226) ..... tons	8.78	8.82
4.63	4.78	231. Dead weight per freight car axle ..... tons	4.68	4.68
7.89	7.94	232. Average loading weight per freight car axle ..... tons	7.99	8.04
		233. Utilisation of loading weight of freight car axles		
.	74.18	a) loaded (228 : 232) ..... %	72.09	70.65
.	52.27	b) loaded and empty (229 : 232) ..... %	52.32	51.37

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars (continued)

1	2	3	4	5
1925 Calendar year	1926	Nature of returns	1927	1928
		Passenger cars		
7,577,526	7,491,324	241. Axle-kms of passenger cars in all trains in thousands	7,904,467	8,441,153
7,409,305	7,312,725	242. Axle-kms of passenger cars in passenger trains in thousands	7,734,055	8,260,689
958,176	1,042,966	243. Axle-kms of baggage cars in passenger trains in thousands	1,122,499	1,206,900
.	7.98	244. Gross load per car axle (211 : 173) in tons	8.10	8.27

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II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars (continued)

1	2	3	4	5
1925 Calendar year	1926	Nature of returns	1927	1928
		Passenger cars		
7,577,526	7,491,324	241. Axle-kms of passenger cars in all trains in thousands	7,904,467	8,441,153
7,409,305	7,312,725	242. Axle-kms of passenger cars in passenger trains in thousands	7,734,055	8,260,689
958,176	1,042,966	243. Axle-kms of baggage cars in passenger trains in thousands	1,122,499	1,206,900
.	7.98	244. Gross load per car axle (211 : 173) in tons	8.10	8.27

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III. TRAFFIC RETURNS

A. Goods traffic

Quantities of goods transported and tariff-ton-kilometers

1		2		3	4		5	
1925 Calendar year		1926		Description of returns	1927		1928	
	%		%	Quantities of goods in thousands of tons.		%		%
408,694	100.00	438,546	100.00	301. Quantities of goods transported Total	489,045	100.00	480,966	100.00
				distributed as follows:				
373,009	91.27	381,868	87.08	302. Public traffic	434,063	88.76	432,259	89.87
35,685	8.73	56,678	12.92	303. Service material (excluding locomotives	54,982	11.24	48,707	10.13
	100.00		100.00	302. is distributed as follows:		100.00		100.00
307,653	82.48	308,359	80.75	304. Over the lines of the German Railway Company	356,251	82.07	352,449	81.54
33,609	9.01	38,417	10.06	305. Consigned to other railway lines	39,202	9.03	41,115	9.51
				distributed as follows				
13,844	3.71	15,079	3.95	a) German private lines.....	16,289	3.75	16,977	3.93
19,765	5.30	23,338	6.11	b) foreign countries (consignments cleared direct).....	22,913	5.28	24,138	5.58
31,747	8.51	32,418	8.49	306. Received from other lines	36,118	8.32	36,329	8.40
				distributed as follows:				
15,663	4.20	13,620	3.57	a) German private lines	15,471	3.56	15,888	3.67
16,084	4.31	18,798	4.92	b) foreign countries (consignments cleared direct)	20,647	4.76	20,441	4.73
.	.	2,674	0.70	307. Transit traffic	2,492	0.58	2,366	0.55
	100.00		100.00	303. is distributed as follows:		100.00		100.00
2,736	7.67	7,479	13.20	308. Service material for which freightage was charged	7,831	14.24	5,443	11.17
32,949	92.33	49,199	86.80	309. Service material for which no freightage was charged	47,151	85.76	43,264	88.83
	100.00		100.00	The total goods traffic (301) is distributed as follows:		100.00		100.00
375,745	91.94	389,347	88.78	310. Goods traffic for which freightage was charged (302 + 308)	441,894	90.36	437,702	91.00

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Quantities of goods transported and tariff-ton-kilometers (continued)

1		2		3	4		5	
1925 Calendar year		1926		Description of returns	1927		1928	
	%		%			%		%
59,629	100.00	64,783	100.00	321. Tariff-ton-kms of total traffic in millions.....	72,614	100.00	73,180	100.00
				including:				
55,965	93.86	59,016	91.10	322. Public traffic (302)	64,888	89.36	66,338	90.65
56,058	94.01	59,424	91.73	323. Freightable traffic (310).....	65,416	90.09	66,678	91.12
				Average despatch distance				
146		148		324. Total traffic (321 : 301) km	148		152	
150		155		325. Public traffic (322 : 302) km	149		153	
149		153		326. Freightable traffic (323 : 310) km	148		152	

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions

1		2		3		4	5		6		7	
		1927							1928			
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
3,226.4	100	489.0	100	72,614.2	100	351. Total goods traffic .. distributed as follows:	3,276.4	100	481.0	100	73,179.7	100
1,671.1	51.8	167.4	34.2	24,093.4	33.2	352. Ordinary tariffs	1,699.4	51.9	162.5	33.8	24,045.2	32.8
1,351.2	41.9	263.1	53.8	40,195.1	55.3	353. Special tariffs	1,381.5	42.1	266.2	55.3	41.687.2	57.0
5.7	0.2	0.3	0.1	64.0	0.1	354. Military material including animals and vehicles on military tickets & way bills..	5.8	0.2	0.3	0.1	66.8	0.1
2.8	0.1	0.4	0.1	51.6	0.1	355. Traffic for armies of occupation (goods, animals and corpses transported).....	1.8	0.0	0.4	0.1	41.2	0.0
55.6	1.7	2.8	0.6	483.6	0.7	356. Animals, excluding those conveyed as military material ...	55.6	1.7	2.9	0.6	497.2	0.7
13.8	0.4	7.8	1.6	528.8	0.7	357. Service material for which freightage was charged	8.6	0.3	5.4	1.1	340.4	0.5
-	-	47.2	9.6	7,197.7	9.9	358. Service material for which no freightage was charged	-	-	43.3	9.0	6,501.7	8.9
126.1	3.9	-	-	-	-	359. Additional receipts from general traffic.	123.6	3.8	-	-	-	-
0.1	0.0	-	-	-	-	360. Additional receipts from traffic for armies of occupation.	0.1	0.0	-	-	-	-

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions (continued)

1	2	3	4	5	6	7
1927			Nature of returns	1928		
Total receipts	Total tonnage	Total ton-kilometers		Total receipts	Total tonnage	Total ton-kilometers
RM %	%	%		RM %	%	%
1,671.1 100	167.4 100	24,093.4 100	361. The ordinary tariffs (352)..... are distributed as follows:	1,699.4 100	162.5 100	24,045.2 100
140.3 8.4	2.5 1.5	418.1 1.7	a) despatch and express goods in piece goods	148.1 8.7	2.6 1.6	455.4 1.9
0.9 0.1	(0.02) 0.0	4.3 0.0	b) despatch goods per car load	1.0 0.1	(0.04) 0.0	5.7 0.0
439.1 26.3	15.4 9.2	3,027.2 12.6	c) goods - piece goods (ordinary).....	459.5 27.0	15.3 9.4	3,104.2 12.9
1,090.2 65.2	149.5 89.3	20,641.2 85.7	d) ordinary goods per car load	1,090.2 64.2	144.6 89.0	20,477.7 85.2
0.6 0.0	(0.01) 0.0	2.6 0.0	e) corpses	0.6 0.0	(0.01) 0.0	2.2 0.0
1,351.2 100	263.1 100	40,195.1 100	362. The special tariffs (353) ..... are distributed as follows:	1,381.5 100	266.2 100	41,687.2 100
11.6 0.9	3.0 1.1	180.3 0.5	a) milk as despatch goods	13.6 1.0	2.9 1.1	171.6 0.4
15.4 1.1	0.6 0.2	94.2 0.2	b) despatch goods - piece goods	10.4 0.7	0.4 0.1	56.4 0.1
0.1 0.0	(0.01) 0.0	0.1 0.0	c) despatch goods per car load	0.1 0.0	(0.01) 0.0	0.8 0.0
32.2 2.4	1.5 0.6	323.6 0.8	d) ordinary goods - piece goods	34.0 2.5	1.6 0.6	327.7 0.8
1,291.9 95.6	258.0 98.1	39,596.9 98.5	e) ordinary goods per car load	1,323.4 95.8	261.3 98.2	41,130.7 98.7

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions (continued)

1		2		3		4	5		6		7	
1927							1928					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
3,226.4	100	489.0	100	72,614.2	100	363. Of the total goods traffic (351) coal accounted for	3,276.4	100	481.0	100	73,179.7	100
742.3	23.0	173.9	35.6	26,343.1	36.3		767.8	23.4	172.6	35.9	27,068.8	37.0
	100		100		100	distributed as follows:		100		100		100
5.8	0.8	2.2	1.2	107.6	0.5	364. Ordinary tariffs	5.7	0.7	2.0	1.1	110.8	0.4
4.8	0.7	1.8	1.0	91.6	0.4	a) coal, briquettes, coke and waste material	4.9	0.6	1.6	0.9	97.3	0.4
1.0	0.1	0.4	0.2	16.0	0.1	b) lignite, briquettes and coke	0.8	0.1	0.4	0.2	13.5	0.0
736.5	99.2	157.5	90.6	22,567.8	85.6	365. Special tariffs	762.1	99.3	156.3	90.6	23,192.3	85.7
519.6	70.0	105.1	60.5	16,892.4	64.1	a) coal, briquettes and coke	518.4	67.5	100.5	58.2	16,554.0	61.2
216.9	29.2	52.4	30.1	5,675.4	21.5	b) lignite, briquettes and coke	243.7	31.8	55.8	32.4	6,638.3	24.5
-	-	14.2	8.2	3,667.7	13.9	366. Service materials for which no freightage was charged	-	-	14.3	8.3	3,765.7	13.9

III. TRAFFIC RETURNS (continued)

B. Passenger traffic

1 1925 Calendar year	2 1926	3 Description of returns	4 1927	5 1928
2,106.3	1,819.4	381. Total number of passengers carried in millions	1,909.2	2,009.4
		Class travelled per 100 passengers transported:		
0.04	0.04	a) 1st class	0.04	0.03
5.31	4.91	b) 2nd class	4.49	5.16
32.81	32.99	c) 3rd class	31.52)	94.81
61.84	62.06	d) 4th class	63.95)	
46.46	50.53	e) at normal fares	47.69	45.37
53.54	49.47	f) at reduced fares	52.31	54.63
35.25	37.49	g) at standard fares	35.63	32.92
64.75	62.51	h) at special fares	64.37	67.08
76.95	75.97	i) general traffic	76.65	75.82
18.88	19.47	j) metropolitan, circle and suburban traffic in Berlin	18.80	19.62
4.17	4.56	k) metropolitan and suburban traffic in Hamburg	4.55	4.56
48,950.3	42,922.4	382. Total number of passenger-kms. in millions	45,547.9	47,649.0
		Distributed per 100 passenger-kms as follows:		
0.39	0.40	a) 1st class	0.44	0.45
7.23	6.54	b) 2nd class	6.09	6.80
34.30	33.58	c) 3rd class	31.56)	92.75
58.08	59.48	d) 4th class	61.91)	
63.74	64.32	e) at normal fares	61.29	58.78
36.26	35.68	f) at reduced fares	38.71	41.22
57.84	57.85	g) at standard fares	55.74	52.73
42.16	42.15	h) at special fares	44.26	47.27
87.96	88.32	i) general traffic	89.28	88.55
9.73	9.25	j) metropolitan, circle and suburban traffic in Berlin	8.49	9.54
2.31	2.43	k) metropolitan and suburban traffic in Hamburg	2.23	1.91

III. TRAFFIC RETURNS (continued)

B. Passenger traffic (continued)

1	2	3	4	5
1925 Calendar year	1926	Description of returns	1927	1928
1,378.3	1,273.2	383. Receipts from passenger traffic in millions	1,330.7	1,394.0
		Distributed per 100 RM. as follows :		
1.48	1.45	a) 1st class	1.56	1.63
13.69	12.45	b) 2nd class	11.97	13.06
39.21	38.15	c) 3rd class	36.61)	85.31
45.62	47.95	d) 4th class	49.86)	
83.40	81.28	e) at normal fares	78.78	75.95
16.60	18.72	f) at reduced fares	21.22	24.05
79.52	77.22	g) at standard fares	74.93	72.11
20.48	22.78	h) at special fares	25.07	27.89
93.89	93.85	i) general traffic	94.07	94.04
5.06	5.07	j) metropolitan, circle and suburban traffic in Berlin	4.86	4.89
1.05	1.08	k) metropolitan and suburban traffic in Hamburg	1.07	1.07
		384. General traffic - long distance - (excluding metropolitan, circle and suburban traffic in Berlin and Hamburg)		
		a) class travelled per 100 passengers transported:		
0.04	0.05	1st class	0.05	0.04
1.61	1.38	2nd class	1.24	2.16
17.99	16.88	3rd class	15.29)	97.80
80.36	81.69	4th class	83.42)	
		b) distribution per 100 passenger-kms :		
0.44	0.45	1st class	0.49	0.51
5.80	5.28	2nd class	5.00	5.80
27.72	26.93	3rd class	25.16)	93.69
66.04	67.34	4th class	69.35)	

III. TRAFFIC RETURNS (continued)

B. Passenger traffic (continued)

1	2	3	4	5
1925 Calendar year	1926	Description of returns	1927	1928
		c) receipts, distributed per 100 RM as follows :		
1.57	1.55	1st class	1.66	1.74
13.05	11.81	2nd class	11.39	12.58
36.79	35.55	3rd class	33.95)	85.68
48.59	51.09	4th class	53.00)	
23.24	23.59	385. Average distance carried (382 : 381) ..... km	23.86	23.71
149.58	124.04	386. Passengers per train (382 : 171)	124.40	120.76
6.61	5.87	387. Passengers per passenger car axle (382 : 242) ..	5.89	5.77
5.29	4.64	388. Passengers per car axle (382 : 173)	4.66	4.59

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IV. FREIGHT CARS SUPPLIED

A. As a whole

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
37,841,221		39,746,045		401. Total number of freight cars supplied	45,682,153		45,974,988	
124,070		129,889		402. Freight cars per working day (401 : 3)	149,288		150,245	
16,902,271		18,007,836		403. Covered cars	21,145,737		22,303,162	
55,417		58,849		404. " " per working day (403 : 3)	69,104		72,886	
16,381,495		16,746,701		405. Open cars	18,751,323		18,112,844	
53,710		54,728		406. " " per working day (405 : 3)	61,279		59,192	
	%		%	407. Not supplied in time :		%		%
113,826	0.3	487,747	1.2	a) cars of all types (401)	283,882	0.6	81,624	0.2
20,468	0.1	25,965	0.1	b) covered cars (403)	59,558	0.3	17,869	0.1
22,314	0.1	353,396	2.1	c) open cars (405)	82,123	0.4	12,220	0.1

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IV. FREIGHT CARS SUPPLIED (continued)

B. For coal, coke and briquettes per working day in units of 10 tons

1		2		3	4		5	
1925 Calendar year	%	1926	%	Description	1927	%	1928	%
				411. Ruhr district				
24,364		28,320		a) supplied	28,367		26,417	
-	-	270	1.0	b) not supplied in time	57	0.2	9	0.0
				412. Upper Silesia				
4,225		5,272		a) supplied	5,664		5,898	
-	-	4	0.1	b) not supplied in time	-	-	-	-
				413. Lower Silesia				
1,442		1,451		a) supplied	1,502		1,445	
-	-	3	0.2	b) not supplied in time	2	0.1	-	-
				414. Central-German lignite basin				
8,867		8,569		a) supplied	9,232		9,863	
-	-	106	1.2	b) not supplied in time	2	0.0	-	-

V. LOCOMOTIVE PARK

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
27,620	100.0	25,921	100.0	431. Total park at end of year ..... distributed as follows:	24,895	100.0	24,481	100.0
27,373	99.1	25,616	98.8	432. Steam driven locomotives	24,575	98.7	24,132	98.6
1	0.0	4	0.0	433. Locomotives with combustion engines	4	0.0	2	0.0
246	0.9	301	1.2	434. Electrically driven locomotives	316	1.3	347	1.4
				The steam-driven locomotives (432) are distributed as follows:				
21,298	77.8	19,506	76.1	435. In working order	19,219	78.2	19,066	79.0
6,075	22.2	6,110	23.9	436. Under repair	5,356	21.8	5,066	21.0
28,444	100.0	26,732	100.0	437. Total park - yearly average ..... distributed as follows:	25,372	100.0	24,637	100.0
28,247	99.3	26,453	99.0	438. Steam driven locomotives	25,061	98.8	24,307	98.7
-	-	3	0.0	439. Locomotives with combustion engines	4	0.0	3	0.0
197	0.7	276	1.0	440. Electrically driven locomotives	307	1.2	327	1.3
				The steam driven locomotives (438) are distributed as follows:				
22,313	79.0	20,393	77.1	441. In working order	19,292	77.0	19,003	78.2
5,934	21.0	6,060	22.9	442. Under repair	5,769	23.0	5,304	21.8
				Steam driven locomotives				
18.73		20.97		443. Locomotive productive-kms per locomotive (126d:438) in thousands	23.33		25.39	
23.71		27.21		444. Locomotive productive-kms per locomotive in working order (126d: 441) in thousands	30.31		32.47	
33.09		35.63		445. Locomotive-kms per locomotive (125d:438) in thousands	39.34		42.07	
41.89		46.21		446. Locomotive-kms per locomotive in working order (125d:441) in thousands ...	51.11		53.81	

VI. MOTOR COACH PARK

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
490	100.0	553	100.0	451. Total Park of motor coaches at end of year	583	100.0	937	100.0
				distributed as follows :				
287	58.6	343	62.0	452. Motor coaches with overhead wires and contact rails	341	58.5	678	72.4
203	41.4	210	38.0	453. Other motor coaches	242	41.5	259	27.6
175	49.6	226	51.7	454. Total Park of control coaches	216	47.2	563	64.5
178	50.4	211	48.3	455. Total Park of trailer coaches	242	52.8	310	35.5
				The motor coaches, control coaches and trailer coaches are fitted as follows :				
817	96.9	965	97.5	456. For passenger transport	1,013	97.3	1,782	98,4
2,853	97.5	3,363	98.0	" " " ..... axles	3,530	97.8	6,589	98.8
7	0.8	7	0.7	457. For baggage transport	7	0.7	7	0.4
20	0.7	20	0.6	" " " ..... axles	20	0.6	20	0.3
19	2.3	18	1.8	458. As Service cars	21	2.0	21	1.2
52	1.8	49	1.4	" " " ..... axles	59	1.6	59	0.9
445	100.0	523	100.0	460. Total Park of motor coaches (Yearly average)	564	100.0	691	100.0
				distributed as follows:				
264	59.3	314	60.0	461. Motor coaches with overhead wires and contact rails	339	60.1	444	64.3
181	40.7	209	40.0	462. Other motor coaches	225	39.9	247	35.7
158	51.1	201	50.9	463. Total Park of control coaches	221	49.3	315	53.8
151	48.9	194	49.1	464. Total Park of trailer coaches	227	50.7	271	46.2
				The motor coaches, control coaches and trailer coaches are fitted as follows:				
734	97.4	893	97.3	465. For passenger transport	985	97.3	1,241	97.8
2,531	97.9	3,108	97.8	" " " ..... axles	3,434	97.9	4,492	98.3
7	0.9	7	0.7	466. For baggage transport	7	0.7	7	0.6
20	0.8	20	0.6	" " " ..... axles	20	0.6	20	0.4
13	1.7	18	2.0	467. As Service cars	20	2.0	21	1.6
33	1.3	49	1.6	" " " ..... axles	54	1.5	59	1.3

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VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
774,470	100.0	754,194	100.0	481. Total number of cars (excluding traverse trolleys), at end of year	757,063	100.0	756,009	100.0
1,642,107	100.0	1,601,095	100.0	Total number of axles	1,606,532	100.0	1,604,723	100.0
63,829	8.3	62,356	8.3	482. Passenger cars	61,764	8.1	62,447	8.3
179,917	10.9	176,653	11.0	" " ..... axles	175,372	10.9	176,658	11.0
21,831	2.8	21,549	2.8	483. Baggage cars	21,002	2.8	20,806	2.7
50,370	3.1	49,651	3.1	" " ..... axles	48,407	3.0	48,044	3.0
				Distribution of baggage cars (483) :				
8,301	38.0	8,373	38.9	a) Cars for passenger trains ...	8,177	38.9	8,145	39.1
23,266	46.2	23,259	46.8	" " " " axles	22,748	47.0	22,717	47.3
13,530	62.0	13,176	61.1	b) Cars for goods trains	12,825	61.1	12,661	60.9
27,104	53.8	26,392	53.2	" " " " axles	25,659	53.0	25,327	52.7
688,810	88.9	670,289	88.9	484. Freight cars	674,297	89.1	672,756	89.0
1,411,820	86.0	1,374,791	85.9	" " ..... axles	1,382,753	86.1	1,380,021	86.0
				Distribution of freight cars (484) :				
231,291	33.6	227,174	33.9	a) Covered freight cars	226,551	33.6	233,389	34.7
465,324	33.0	457,049	33.2	" " " axles	455,809	33.0	469,091	34.0
450,175	65.3	434,448	64.8	b) Uncovered freight cars	436,915	64.8	427,207	63.5
927,638	65.7	895,836	65.2	" " " axles	900,398	65.1	881,184	63.9
7,344	1.1	8,667	1.3	c) Service cars	10,831	1.6	12,160	1.8
18,858	1.3	21,906	1.6	" " ..... axles	26,546	1.9	29,746	2.1
				485. In addition:				
309	.	317.5	.	Narrow-gauge traverse trolleys per pair	317.5	.	297.5	.
1,236	.	1,270	.	" " " " axles	1,270	.	1,190	.

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VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK (continued)

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
779,709	100.0	764,331	100.0	487. Total number of cars (excluding traverse trolleys), yearly average	755,628	100.0	756,536	100.0
1,651,930	100.0	1,621,591	100.0	Total number of axles	1,603,813	100.0	1,605,628	100.0
64,663	8.3	63,092	8.3	488. Passenger cars	62,060	8.2	62,106	8.2
181,756	11.0	178,285	11.0	" " axles	176,012	11.0	176,015	11.0
22,124	2.8	21,690	2.8	489. Baggage cars	21,275	2.8	20,904	2.8
50,970	3.1	50,008	3.1	" " axles	49,029	3.0	48,226	3.0
				Distribution of baggage cars (489):				
8,466	38.3	8,337	38.4	a) Cars for passenger trains	8,275	38.9	8,161	39.0
23,612	46.3	23,260	46.5	" " " " axles	23,003	46.9	22,733	47.1
13,658	61.7	13,353	61.6	b) Cars for goods trains	13,000	61.1	12,743	61.0
27,358	53.7	26,748	53.5	" " " " axles ...	26,026	53.1	25,493	52.9
692,922	88.9	679,549	88.9	490. Freight cars	672,293	89.0	673,526	89.0
1,419,204	85.9	1,393,298	85.9	" " axles	1,378,772	86.0	1,381,387	86.0
				Distribution of freight cars (490):				
231,397	33.4	229,232	33.7	a) Covered freight cars	226,863	33.7	229,970	34.1
465,547	32.8	461,186	33.1	" " " axles	456,429	33.1	462,450	33.5
454,612	65.6	442,312	65.1	b) Uncovered freight cars	435,681	64.8	432,061	64.2
935,769	65.9	911,737	65.4	" " " axles ..	898,117	65.1	890,791	64.5
6,913	1.0	8,005	1.2	c) Service cars	9,749	1.5	11,495	1.7
17,888	1.3	20,375	1.5	" " axles	24,226	1.8	28,146	2.0
				491. In addition:				
307.5	.	313	.	Narrow gauge traverse trolleys per pair	317.5	.	307.5	.
1,230	.	1,253	.	Narrow gauge traverse trolleys axles	1,270	.	1,230	.
114.58		115.91		493. Car axle-kms per passenger car (242:488) in thousands	124.62		133.01	
22.47		25.01		494. Car axle-kms per freight car (223:490) in thousands	27.46		28.23	

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VIII. FUEL AND LUBRICANTS CONSUMED WHEN OPERATING UNDER STEAM

1	2	3	4	5
1925 Calendar year	1926	Description	1927	1928
12,325.7	12,059.3	501. Fuel Consumption in thousands .....tons	12,811.4	13,124.1
13.19	12.80	502. Fuel consumption per 1,000 locomotive-kilometers (501: 125d + 128 a) .....tons	12.92	12.75
5.76	5.50	503. Fuel consumption per 1,000 locomotive-unit-kilometers (501: 129) .....tons	5.44	5.31
.	55.14	504. Fuel consumption per 1 million operating gross ton-kilometers (501:215a + 214) .....tons	53.79	52.78
15,777.2	16,262.0	510. Lubricant consumption in thousands .....kgs	18,124.2	20,130.7
16.88	17.26	511. Lubricant consumption per 1,000 locomotive-kilometers (510:125d + 128a) .....kgs	18.27	19.55
7.37	7.41	512. Lubricant consumption per 1,000 locomotive-unit-kilometers (510:129) .....kgs	7.69	8.14

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IX. WORKSHOPS

1	2	3	4		5	
1925 Calendar year	1926	Description	1927		1928	
				%		%
		521. Cost in thousands of RM of maintenance of rolling stock and special services total distributed as follows:	800,075	100.0	737,780	100.0
		522. Steam driven locomotives	311,087	38.9	331,027	44.9
		523. Electrically driven locomotives	4,755	0.6	6,332	0.9
		524. Motor coaches	7,155	0.9	9,744	1.3
		525. Passenger cars and passenger train baggage cars	139,177	17.4	134,711	18.2
		526. Freight and service cars, and goods train baggage cars	283,059	35.4	202,043	27.4
		527. Special services rendered	54,842	6.8	53,923	7.3
		528. Cost of repairs per steam driven locomotive (522:438) ....RM	12,413.2		13,618.5	
		529. Cost of repairs per electrically driven locomotive (523:440) ....RM	15,488.6		19,363.9	
		530. Cost of repairs per motor coach(524:461+462)....RM	12,686.2		14,101.3	
		531. Cost of repairs per passenger car and passenger train baggage car(525:488+489a)RM	1,978.8		1,917.1	
		532. Cost of repairs per freight and service car, & per goods train baggage car (526:490 + 489b) ....RM	413.0		294.4	
		533. Cost of repairs per 1,000 locomotive kilometers of steam driven locomotives (522:125d) ....RM	315.5		324.0	
		534. Cost of repairs per 1,000 locomotive-kms of electrically driven locomotives(523:125e)RM	323.1		366.9	
		535. Cost of repairs per 1,000 kilometers of motor coaches (524:123f + g + 127) ....RM	226.8		222.6	
		536. Cost of repairs per 1,000 axle-kilometers of passenger cars and passenger train baggage cars (525: 241 + 243) ....RM	15.4		14.0	
		537. Cost of repairs per 1,000 axle-kilometers of freight cars,goods train baggage cars and service cars (526: 223 + 224 + 225) ....RM	14.8		10.3	

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X. STAFF - AVERAGE FIGURES FOR THE YEAR.

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
732,961	100.0	707,570	100.0	551. Total staff	704,016	100.0	700,663	100.0
331,712	45.3	320,101	45.2	552. Officials) (Included under	313,672	44.6	310,597	44.3
401,249	54.7	387,469	54.8	553. Workmen) 551)	390,344	55.4	390,066	55.7
32,135	4.4	31,847	4.5	554. Management ..... (Included under 551)	32,327	4.6	32,211	4.6
113,509	15.5	128,989	18.2	555. Upkeep of permanent way	124,731	17.7	116,684	16.7
32,636	4.5	31,811	4.5	556. Inspection of permanent way	32,272	4.6	32,226	4.6
231,186	31.6	220,450	31.1	557. Station and despatch services	224,750	31.9	229,067	32.7
58,116	7.9	52,150	7.4	558. Train attendants	52,332	7.4	53,122	7.6
66,866	9.1	65,779	9.4	559. Engine drivers and firemen	68,508	9.7	71,064	10.1
59,451	8.1	53,260	7.5	560. Mechanics excluding engine and workshop service	52,705	7.5	50,494	7.2
26,661	3.6	22,029	3.1	561. Running-workshop service	20,957	3.0	23,695	3.4
112,401	15.3	101,255	14.3	562. Head workshops	95,434	13.6	92,100	13.1
13.77		13.27		563. Total staff per km. of line worked (551 : 29)	13.15		13.06	
11.16		10.95		564. Total staff, excluding workshops, per km. of line worked 551 - (561 + 562): 29	10.97		10.90	
1.36		1.24		565. Total staff per 1,000 train kms. (551 : 191)	1.16		1.08	
1.10		1.03		566. Total staff, excluding workshops, per 1,000 train kms. 551 - (561 + 562) : 191	0.97		0.91	
2.92		2.66		567. Total staff per 100,000 car axle-kms. (551 : 192)	2.46		2.35	
2.37		2.20		568. Total staff, excluding workshops, per 100,000 car axle-kms. 551 - (561 + 562) : 192	2.05		1.96	

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XI. RECEIPTS

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%	Receipts in thousands of RM		%		%
1,430,743	30.64	1,320,175	29.07	601. Passengers and baggage	1,379,572	27.38	1,443,338	27.98
2,868,713	61.44	2,830,620	62.34	602. Goods traffic	3,226,401	64,02	3,276,357	63.50
369,619	7.92	390,006	8.59	603. Other receipts	433,296	8.60	439,535	8.52
4,669,075	100.00	4,540,801	100.00	604. Total	5,039,269	100.00	5,159,230	100.00
15,308		14,839		605. Total per working day (604:8)	16,468		16,860	
				Passenger traffic				
0.15		0.14		611. Receipts per axle-km of passenger trains (601:173) RM	0.14		0.14	
4.37		3.82		612. Receipts per train-km of passenger trains (601:171) RM	3.77		3.66	
27,871		25,681		613. Receipts per kilometer of line worked (601:31) .... RM	26,745		27,932	
0.68		0.73		614. Receipts per passenger carried (601:381) ..... RM	0.72		0.72	
2.92		3.08		615. Receipts per passenger-kilometer (601:382) ..... Rpf	3.03		3.03	
				Goods traffic				
0.18		0.16		621. Receipts per axle-km of goods trains (602:133) .. RM	0.17		0.17	
13.88		12.93		622. Receipts per train-km of goods trains (602:131) .. RM	13.74		13.25	
54,326		53,510		623. Receipts per kilometer of line worked (602:30) .... RM	60,761		61,539	
7.69		7,41		624. Receipts per ton (excluding goods for railway use) (602:302) ..... RM	7.43		7.58	
7.02		6.45		625. Receipts per ton (including goods for railway use) (602:301) ..... RM	6.60		6.81	
.		4.01		626. Receipts per net ton-kilometer (602:201) ..... Rpf	4.18		4.17	
.		1.85		627. Receipts per gross ton-kilometer (602:202) ..... Rpf	1.90		1.87	

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XI. RECEIPTS (continued)

1	2	3	4	5
1925 Calendar year	1926	Description	1927	1928
		Goods traffic (continued)		
4.81	4.37	628. Receipts per tariff ton-kilometer of total traffic (602:321) ..... Rpf	4.44	4.48
4.92	4.59	629. Receipts per tariff ton-kilometer of public traffic (excluding goods for railway use and subsidiary receipts) ..... Rpf	4.76	4.74
4.91	4.57	630. Receipts per tariff ton-kilometer of traffic liable to freight charges (excluding subsidiary receipts) .... Rpf	4.74	4.73
		Total traffic including goods for railway use		
0.19	0.17	631. Total receipts per 1 axle-km (604:192) ..... RM	0.18	0.17
8.68	7.97	632. Total receipts per 1 train-km (604:191) ..... RM	8.32	7.98
87,719	85,135	633. Total receipts per 1 kilometer of line worked (604:29) ..... RM	94,111	96,134
6,370	6,417	634. Total receipts per head of total staff (604:551) ..... RM	7,158	7,363

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XII. OPERATING PAYMENTS

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%	Payments in thousands of RM		%		%
3,452,088	86.85	3,223,755	87.59	651. Operation and maintenance	3,437,837	82.66	3,646,233	84,91
522,700	13.15	456,807	12.41	652. Renewal of permanent way and structures	720,926	17.34	648,137	15.09
3,974,788	100.00	3,680,562	100.00	653. Operating payments (651 + 652)	4,158,763	100.00	4,294,370	100.00
694,287		860,239		654. Operating surplus	880,506		864,860	
85.13		81.06		655. Ratio of total operating payments to receipts, operating co-efficient (653 : 604)	82.53		83.24	
	%		%	Of the total operating payments there fall to :		%		%
2,470,500	62.16	2,511,300	65.71	658. Payments to staff (including wages of permanent way, upkeep and workshop workers)	2,611,484	61.31	2,898,665	66.50
1,504,300	37.84	1,310,502	34.29	659. Payments for material ...	1,647,979	38.69	1,460,269	33.50
3,974,800	100.00	3,821,802	100.00	660. Total (658 + 659)	4,259,463	100.00	4,358,934	100.00
-	-	- 141,240	-	less : the payments still to be transferred to the account for increase of plant and included in (660)	- 100,700	-	- 64,564	-
3,974,800	-	3,680,562	-	661. Leaving as operating payments (653)	4,158,763	-	4,294,370	-
0.16		0.14		662. Total operating payments per axle-km (653:192) RM	0.15		0.14	
7.39		6.46		663. Total operating payments per train-km (653:191) RM	6.86		6.65	
74,675		69,006		664. Total operating payments per kilometer of line worked (653:29) ..... RM	77,667		80,019	
3,371		3,549		665. Payments to staff per head of total staff (658:551) RM	3,709		4,137	

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XIII. ACCIDENTS IN RAILWAY TRAFFIC ON STANDARD LINES.

1		2		3	4		5	
1925 Calendar year		1926		Description	1927		1928	
	%		%			%		%
3,086	100.0	3,097	100.0	701. Total number of accidents	3,434	100.0	3,601	100.0
				Consisting of :				
415	13.4	470	15.2	a) derailments	438	12.8	452	12.5
213	6.9	208	6.7	b) collisions	242	7.0	212	5.9
2,458	79.7	2,419	78.1	c) other accidents	2,754	80.2	2,937	81.6
148	100.0	172	100.0	702. Number of passengers killed	107	100.0	171	100.0
118	79.7	106	61.6	through own carelessness	99	92.5	117	68.4
796	100.0	1,157	100.0	703. Number of passengers injured	624	100.0	1,207	100.0
359	45.1	323	27.9	through own carelessness	358	57.4	427	35.4
409	100.0	380	100.0	704. Number of railway servants killed	447	100.0	431	100.0
393	96.1	375	98.7	through own carelessness	431	96.4	411	95.4
1,042	100.0	1,110	100.0	705. Number of railway servants injured	1,296	100.0	1,384	100.0
939	90.1	1,015	91.4	through own carelessness	1,221	94.2	1,266	91.5
3,042	100.0	3,364	100.0	706. Total number of persons killed or injured	3,123	100.0	3,830	100.0
2,349	77.2	2,290	68.1	through own carelessness	2,631	84.2	2,783	72.7
5.90		5.91		711. Accidents per 10 km. of line worked	6.53		6.83	
5.78		5.48		712. Accidents per million train-km	5.71		5.61	
0.12		0.12		713. Accidents per million car axle-km.	0.12		0.12	
5.70		5.95		714. Persons killed or inuured per million train-km.	5.19		5.97	
4.40		4,05		through own carelessness	4.37		4.34	
0.12		0.13		715. Persons killed or injured per million car axle-km.	0.11		0.13	
0.09		0.09		through own carelessness	0.09		0.09	

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XIV. SALARIES OF PERMANENT OFFICIALS IN THE SERVICE OF THE RAILWAY

Average salary 1928 as compared with average salary 1913.

Salary group (Class of official)	Nominal salary (calculated on payments for July 1928) RM	On December 1, 1928: Real salary standard figure of the Reich 152.7 (average Dec. 1928) RM	Pre-war rate 1913: Class of official (Group Prussia)	Salary M	Nominal salary amounts in hundredths of the pre-war rate to 1913 = 100	Real salary amounts in hundredths of the pre-war rate to 1913 = 100
15 (Conductors)	3,204	2,098	Conductors	1,507	213	139
13 (Engine firemen)	3,414	2,236	Engine firemen	1,593	214	140
11 (Railway assistants).	3,462	2,267	Assistants 2nd class .	1,961	177	115
9 (Engine drivers)	4,360	2,855	Engine drivers	2,609	167	109
7 (Railway head secretaries).....	5,485	3,592	Station masters	3,498	157	103
3 (Reichsbahnrat)	8,980	5,881	(Head officials	6,314	142	93
			(Members of the Managing Board	6,972	129	84
Total average	3,835	2,511	Total average	2,126	180	118

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XV. WAGES OF WORKMEN IN THE SERVICE OF THE RAILWAY

Average wage per hour during the period July 1, 1928 to December 31, 1928 as compared with the average wage per hour during the financial year 1914.

Wage group	Average wage per hour during period July 1, 1928 to December 31, 1928		Average wage per hour in 1914	Average wage per hour amounts in hundredths of the pre-war rate, to	
	Nominal wage	Real wage standard figure of the Reich 152.5 (average July - December 1928)		Nominal wage	Real wage
	RM	RM	M	1914 = 100	
III (Artisans)	0.97	0.64	-	-	-
V (Skilled workers)	0.82	0.54	-	-	-
VII (Unskilled workers)	0.71	0.47	-	-	-
Total average of all classes	0.85	0.56	0.42	202	133

Transl. 7057.

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I.I.9. 4140 DOC. 315

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 23, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT MAY 31, 1929.

(cf. DOC. 313)

The following is a translation of the balance sheet of the Rentenbank as at April 30, 1929, as published in the Reichsanzeiger No. 141 of June 20, 1929.

ASSETS	April 30, 1929	May 31, 1929
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on April 30, 1929 Rt.M. 1,199,844,000 as on May 31, 1929 Rt.M. 899,844,000		
Loan to the Reich	638,239,313.--	615,638,079.19
Outstanding claim (Rentenbank-Kreditanstalt)	14,773,059.45	14,623,417.45
Balance in hand, giro accounts postal cheque accounts and accounts with other banks	34,404,454.85	34,628,116.08
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,532,423.94	25,092,746.82

LIABILITIES	April 30, 1929	May 31, 1929
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation :		
in public circulation	497,918,317.--	497,877,406.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,836,832.22	6,835,632.22
Miscellaneous liabilities	503,014.18	500,804.80

Under § 7a of the law for the liquidation of Rentenbank notes a further RM. 22,601,233.88 derived from interest payments by the owners of the land subject to the charge have been paid into the sinking fund of the Reichsbank, and the loan to the Reich is correspondingly reduced. In the course of May only Rt.M. 40,911 of Rentenbank notes were withdrawn from circulation. For the RM. 22,560,322.88 still in the sinking fund, and shown under Miscellaneous Assets, Rentenmark notes will be withdrawn by the Reichsbank from circulation in the course of June.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been redeemed.

Rentenmarks	279,133,225.54	under	§ 7a	of	the	Law
"	270,000,000.--	"	§ 7b	"	"	"
"	82,750,870.75	"	§ 7c	"	"	"
"	880,334,583.--	"	§ 11	"	"	"
Total "	1,512,218,679.29					

Transl. 7141.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 6, 1929.

GERMANY'S ECONOMIC POSITION IN THE FIRST HALF OF 1929.

(Published by the Reichs-Kredit-Gesellschaft, Berlin)

(cf. DOC. 303)

The Reichs-Kredit-Gesellschaft A.G. Berlin, has published a report on "Germany's Economic Position in the first half of 1929", a translation of which follows herewith:

In the economic systems of the present day an ample supply of capital is the first requisite of effective exploitation of forces of production; and in a country burdened with debt and a world striving to increase its consumption and its capacity, it is on the exploitation of the forces of production that the formation of capital is necessarily based. This reciprocal relation of cause and effect is particularly close in Germany as the principal debtor country of the present. Germany depends more than any other country on the use of machinery and methods of work which increase capacity, on the investment in short of capital in producing plant. She is without a great part of those natural advantages on the one hand and income from investments on the other hand which are a help to the economic organisations of other industrial countries. Germany has to work hard for each economic advance that she makes: she has to replace by improvement of her working methods and resources what nature and the decision of history have withheld from her. The more rapid the progress made in the improvement of our exploitation and the elimination of the handicap which the reparation payments constitute, the

greater must be the amount of capital invested in plant or the remodelling of existing systems.

There is a similar reciprocity of cause and effect between increase of exports and the capital supply. In a country saddled with the obligation to make heavy payments to foreign countries an adequate capital supply is dependent in the long run on the possibility of some part of the national effort being realisable at a profit on the world market, which is to say, on exports exceeding imports by at least the amount of the payments. Such an improvement of the foreign trade position however pre-supposes lowering of costs, improvement of quality, introduction of every kind of economic improvement, and strengthening of the relations with foreign markets (which again means the absorption of capital); and all these things in their turn are only possible on the basis of initial capital investment in producing plant.

The supply of capital, the improvement of exploitation and the increase of exports are equally important for Germany's economic development.

Close reciprocal relations of cause and effect exist also between the capital supply of Germany and that of the rest of the world. An adequate supply of capital in Germany is still impossible without considerable capital imports. The formation of capital in Germany, as has again and again been pointed out in these reports, has remained up to the present behind the country's capital requirements. Difficult and costly capital imports diminish the rate of Germany's recovery except in so far as (a) they represent investments by other countries in German producing plant and <u>pro tanto</u> an increase in the purchasing power of those countries, and (b) Germany has an adequate share in such reconstructive effort in the shape of increased German exports. For Germany as a debtor country it is important that the capital of the world should be employed for the increase of purchasing power on the greatest possible scale,

and should be properly invested so as permanently to increase the world's capacity to receive products. On the other hand rapid recovery on the part of Germany benefits to an equal degree the formation of capital throughout the world, inasmuch as it extends the markets of all countries in a hundred different ways.

In the last two years Germany has imported capital to an average amount of about four milliard reichsmarks a year, and has put this amount into plant in addition to the capital she has herself accumulated. It was impossible for Germany in any other way adequately to exploit her resources in personnel and equipment. In the current half-year the flow of foreign capital has taken a course which is far from satisfying Germany. It is unlikely therefore that it will be possible to maintain investments of domestic capital in plant at their present level. Happily the German economy is in a position to profit by the progress made in recent years and by the investments of foreign capital in Germany, in such a way as to create compensation for the new markets opened up by these capital imports and now (in part at any rate) lost.

PRODUCTION

The production of Germany has been marked for about a year past by a slow decline, which is the more conspicuous when it is compared with the contemporary development in the other industrial countries. The active investment of capital by the principal purchasing and competing countries coupled with the urgent capital requirements of Germany herself have contributed to slow down the progress of the depression. The decline in production set in later and more slowly in those branches of industry which are primarily concerned with the manufacture of producing plant than in those which are concerned with the manufacture of articles of consumption - a phenomenon which is contrary to much pre-war experience. The erection of plant and the

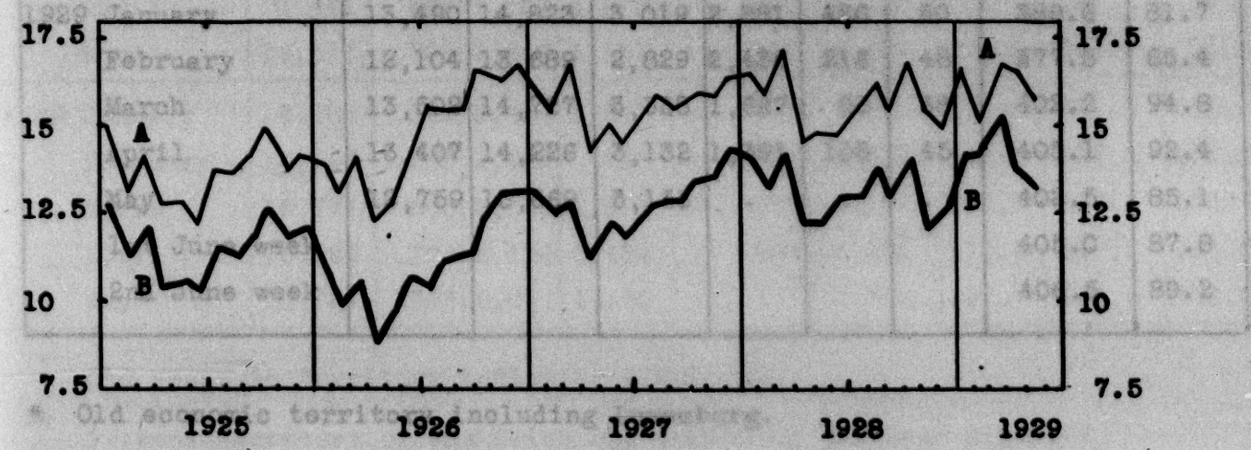
production of articles of a lasting character, the consumption of which is gradual, are the key-notes of the most recent economic development of Germany rather than speculation or extravagant consumption. The special difficulties in regard to the supply of capital which marked the first five months of the year have not yet been reflected in such figures as are available about the activity of the industries manufacturing means of production. They may have a more marked effect on these industries as the year goes on.

The production of coal and the internal German consumption of coal exceed the highest figures of the previous year, but the improvement is slower than in the other principal coal producing countries. The production and consumption of coal in the past half-year are not indicative of the industrial development of the country to the same extent as in earlier years because they are so largely due to the exceptional cold of the past winter.

A = COAL EXTRACTED

B = CONSUMPTION BY HOME MARKET

(in millions of tons in terms of pit coal)



COAL EXTRACTED

DATE	Production			Pit Head Stocks			Amount of coal extracted per working day in the Ruhr	
	Coal	Lignite	Coke	Ruhr	Upper Silesia	Lower Silesia	Coal	Coke
	Monthly average in 1,000 tons			At the end of the month				
1913*	15,842	7,269	2,886	.	.	.	.	.
1913**	11,729	7,269	2,639	.	.	.	378.6	68.4
1924**	9,902	10,363	1,977	3,385	221	319	311.0	56.6
1925**	11,051	11,644	2,366	6,698	384	323	344.5	61.8
1926**	12,108	11,656	2,275	5,208	235	231	370.3	60.8
1927**	12,800	12,567	2,688	1,693	266	156	390.3	75.1
1928**	12,573	13,852	2,770	1,486	409	115	378.0	78.0
1928 January	13,421	14,222	3,046	1,268	378	102	401.8	83.4
February	12,926	13,419	2,897	1,263	387	111	401.2	86.2
March	14,118	14,401	3,006	1,615	399	120	402.1	82.2
April	11,715	12,263	2,713	1,444	407	113	393.6	75.9
May	11,932	12,964	2,738	2,187	396	113	363.5	74.0
1929 January	13,490	14,823	3,019	2,881	426	50	389.6	81.7
February	12,104	13,689	2,829	2,438	216	48	377.8	85.4
March	13,502	14,727	3,338	1,627	82	38	402.2	94.8
April	13,407	14,226	3,132	1,391	108	45	405.1	92.4
May	12,759	13,669	3,133	.	.	.	402,5	85.1
1st June week							405.0	87.8
2nd June week							406.5	89.2

* Old economic territory including Luxemburg.

** Present territory of the Reich not including the Saar district.

CONSUMPTION OF COAL

DATE	Total amount of coal extracted	Imports	Exports		Increase (+) or decrease (-) in pithead stocks	Consumption by home markets			
			Free	For Reparation account		Total		Per head	
						In 1,000 tons	% of 1913	In Kg.	% of 1913
	in 1,000 tons								
	Monthly average in terms of coal								
1913*	17,458	1,345	3,863	-	.	14,960	.	.	.
1913**	13,345	.	.	-	.	12,325	100.0	205.4	100.0
1924**	12,205	1,272	2,059		+ 448	10,970	89.0	176.4	85.9
1925**	13,639	781	1,671	1,260	+ 154	11,335	92.0	181.4	88.3
1926**	14,698	363	3,487	1,240	- 697	11,031	89.9	175.7	85.5
1927**	15,592	611	2,495	1,095	- 197	12,810	103.9	202.4	98.5
1928**	15,651	810	1,807	1,322	+ 214	13,118	106.5	205.9	100.2
1928 January	16,581	698	2,055	1,360	- 148	14,012	113.7	220.5	107.7
February	15,908	656	1,962	1,402	- 37	13,237	107.4	208.2	101.4
March	17,318	748	1,912	1,411	+ 500	14,243	115.6	224.0	109.1
April	14,441	662	1,837	1,378	- 250	12,138	98.5	190.7	92.8
May	14,813	798	1,469	1,183	+ 731	12,228	99.2	192.0	93.5
1929 January	16,784	812	2,460	1,247	- 307	14,196	115.2	221.8	108.0
February	15,146	609	1,418	876	- 857	14,318	116.2	223.8	109.0
March	16,774	800	2,141	1,395	- 1,139	15,177	123.1	237.1	115.4
April	16,569	776	2,124	1,494	- 204	13,930***	112.9	217.7	106.0
May***	15,797	965	2,041	1,450	.	13,270	107.7	207.4	101.0

* Old economic territory including Luxemburg.

** Present territory of the Reich not including the Saar district.

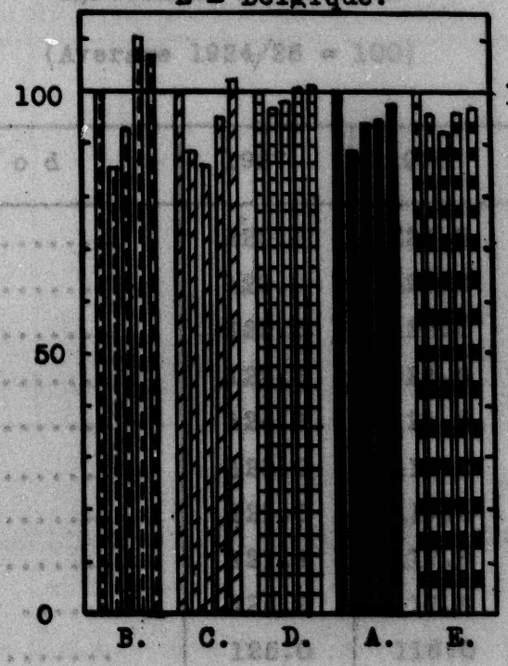
*** Provisional figures.

FLUCTUATIONS IN COAL PRODUCTION
(1st Quarter 1928 = 100)

A = Germany *; B = U.S.A.; C = Great Britain; D = France; E = Belgium.

DEVELOPPEMENT DE LA PRODUCTION DE CHARBON
(premier trimestre de 1928 = 100)

A = Allemagne *; B = Etats-Unis d'Amérique; C = Grande Bretagne; D = France; E = Belgique.



* (Including lignite extracted.
(Y compris la production de lignite.

The index-number of industrial production established by the Institut für Konjunkturforschung for the first four months of the current half-year is lower than that for the corresponding period of the previous year, although it exceeds the average figure for the second half-year of 1928.

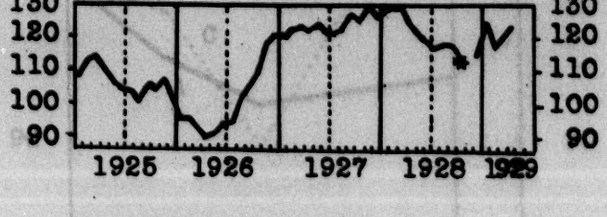
INDUSTRIAL PRODUCTION

(Average 1924/26 = 100)

Period	1927	1928	1929
January	120.3	127.8	123.5
February	122.0	129.2	117.3
March	123.3	128.1	121.0
April	122.3	124.6	127.9
May	124.3	121.5	
June	121.0	118.8	
July	121.0	117.5	
August	121.9	117.8	
September	126.9	117.6	
October	125.0	116.0	
November	129.3	95.5	
December	126.5	115.2	

INDEX OF PRODUCTION

(Average 1924/26 = 100)



* Lock-out in the iron industry.

A comparison with the estimated production of France, Great Britain and America shows that the drop occurred at a time when production was beginning to increase in other industrial countries.

INDUSTRIAL PRODUCTION IN THE U.S.A., GREAT BRITAIN AND FRANCE

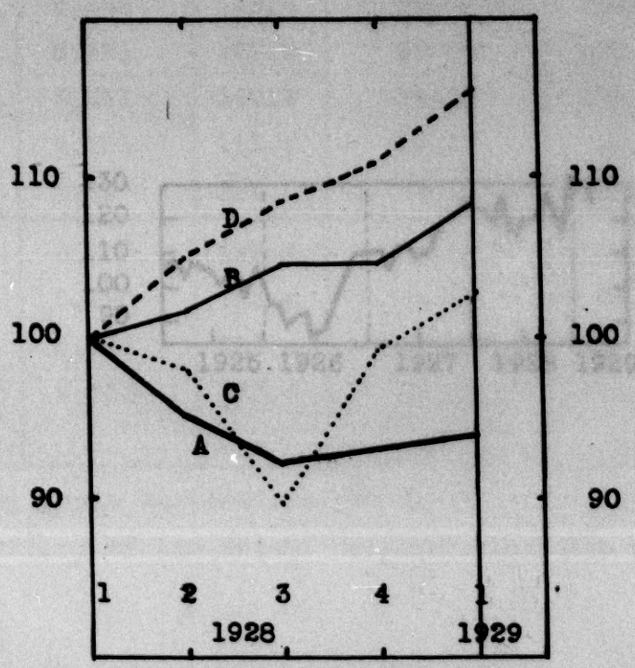
(calculated on the basis of indices)

	U.S.A. 1923/25 = 100	Great Britain 1924 = 100	France 1913 = 100
1928			
1st quarter	109	106	119
2nd "	110	104	125
3rd "	113	95	129
4th "	113	105	132
1929			
1st quarter	118	109	137

FLUCTUATIONS IN INDUSTRIAL PRODUCTION

(1st Quarter 1928 = 100)

A = Germany B = U.S.A. C = Great Britain D = France



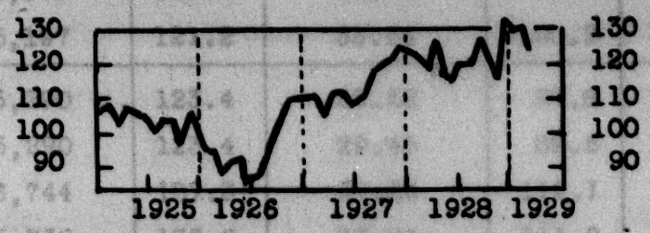
The steady rise in the consumption of electricity for industrial purposes, which was observed well into the third quarter of the past year, has markedly slowed down.

INDUSTRIAL CONSUMPTION OF ELECTRICITY

Period	Amount of current delivered per working day for 1 kw of consumer's terminal power (Monthly average 1925/26 = 100)				
	1925	1926	1927	1928	1929
1st quarter	106.3	92.7	108.9	122.2	129.0
2nd quarter	105.6	90.1	110.7	118.6	
3rd quarter	103.0	93.0	113.2	121.9	
4th quarter	101.3	107.8	122.5	120.9	

INDUSTRIAL CONSUMPTION OF ELECTRICITY

(Average 1925/26 = 100)



The goods traffic of the German Railway was maintained at the same level as during the corresponding period of the previous year. During the spring months additional consignments had to be transported to make good the smaller number carried during the winter months owing to the great cold.

The increase in the population and in the distribution of labour mean a permanent increase in traffic. Any stagnation in the development of traffic (as pre-war experience has also shown) must be taken as a symptom of incipient trade depression.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

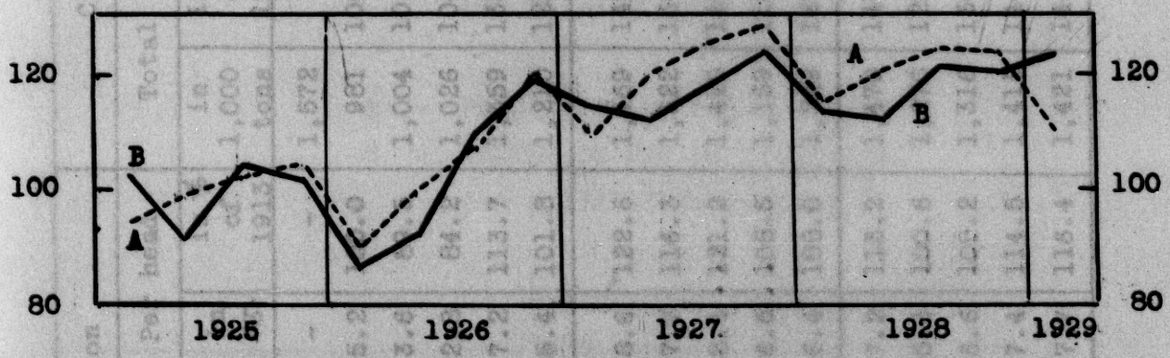
DATE	Ton-kilometers worked *		Goods conveyed *		No. of cars run per working day	
	In million ton-kilometers	In % of 1913	In millions of tons	In % of 1913	Total	Transport of coal
	Monthly average				in 1,000 cars	
1913 **	4,286	100.0	33.25	100.0	133.5	64.2
1925	4,664	108.8	31.08	93.5	124.0	51.6
1926	4,918	114.7	31.82	95.7	129.7	52.1
1927	5,407	126.1	36.17	108.8	149.2	59.3
1928	5,589	130.4	36.07	108.5	150.2	58.4
1928 January	5,593	130.5	34.79	104.6	136.2	62.0
February	5,481	127.9	35.05	105.4	143.4	59.7
March	6,011	140.2	39.55	118.9	150.7	59.2
April	4,861	113.9	32.70	98.3	149.5	57.9
May	5,197	121.2	33.54	100.9	149.1	53.9
1929 January	5,290	123.4	32.52	97.8	129.8	62.0
February	5,290	123.4	29.45	88.6	128.0	67.8
March	6,744	157.3	37.26	112.1	149.3	54.5
April	5,738	133.9	37.21	111.9	157.7	62.6
May	.	.	.	.	159.7	.

* Not including goods carried freight free.

** Present territory of the Reich, not including the Saar.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

A = Number of cars run per working day. B. = Goods traffic.
(1925 average = 100)



FLUCTUATIONS OF RAILWAY GOODS TRAFFIC IN GERMANY

Percentage of increase (+) or decrease (-) per annum as compared with the previous year										
	1	2	3	4	5	6	7	8	9	10
1891/1900	+ 4.6	- 0.6	+ 5.1	+ 4.8	+ 4.0	+ 11.6	+ 7.9	+ 6.9	+ 6.4	+ 6.8
1901/1910	- 2.3	+ 1.9	+ 8.7	+ 3.1	+ 7.1	+ 8.5	+ 4.4	± 0.0	+ 1.7	+ 8.5
1911/1920	+ 6.8	+ 12.1	+ 5.7							
1921/1930						+ 5.7*	+ 19.0*	- 0.3*		

* Not including coal.

The statistics of the iron industry reflect the decrease in the domestic capital investments in plant and the increase in the foreign capital investments in plant. Home sales are even smaller than were the unsatisfactory sales of the corresponding period of the previous year, and might have been still smaller but for the fact that the big shortage of output as a result of the November lock-out had to be made good. The surplus of exports over imports of iron and finished iron goods has appreciably increased, and it is this fortunate consummation which we have to thank for the fact that the aggregate production of iron has been maintained at the same level as the previous year.

PRODUCTION OF IRON

(Monthly average)

DATE	Total production				Pig-iron				Crude steel			
	Total		Per head		Total		Per head		Total		Per head	
	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913
1913*	1,832	-	.	-	1,609	.	-	-	1,572	-	.	-
1913**	1,198	100.0	20.0	100.0	910	100.0	15.2	100.0	981	100.0	16.3	100.0
1925**	1,196	99.8	19.2	96.0	841	92.4	13.6	89.5	1,004	102.4	16.3	99.6
1926**	1,169	97.6	18.6	93.1	804	88.4	12.8	84.2	1,026	104.6	16.3	100.0
1927**	1,554	129.7	24.5	122.9	1,092	120.0	17.2	113.7	1,359	138.5	21.5	131.3
1928**	1,391	116.0	21.8	109.2	984	108.1	15.4	101.8	1,210	123.3	19.0	116.1
1928** January	1,681	140.3	26.5	132.5	1,181	129.8	18.6	122.6	1,469	149.7	23.1	141.5
February	1,523	127.1	24.0	119.9	1,122	123.3	17.7	116.3	1,322	134.8	20.8	127.2
March	1,632	136.3	25.7	128.5	1,170	128.6	18.4	121.2	1,420	144.8	22.3	136.5
April	1,360	113.6	21.4	107.0	1,048	115.2	16.5	108.5	1,159	118.1	18.2	111.4
May	1,465	122.3	23.0	115.2	1,044	114.7	16.4	108.0	1,249	127.3	19.6	119.9
1929** January	1,657	138.3	25.9	129.5	1,098	120.7	17.2	113.2	1,470	149.8	23.0	140.7
February	1,416	118.2	22.1	110.5	982	107.9	15.3	100.6	1,270	129.5	19.8	121.1
March	1,469	122.6	23.0	115.0	1,061	116.6	16.6	109.2	1,316	134.1	20.6	126.4
April	1,598	133.4	25.0	125.0	1,112	122.2	17.4	114.5	1,416	144.3	22.1	135.6
May	1,613	134.6	25.2	125.4	1,133	124.5	17.7	116.4	1,421	144.9	22.2	136.2

* Old economic territory including Luxemburg.

** Present territory of the Reich not including the Saar district.

A = IRON PRODUCTION

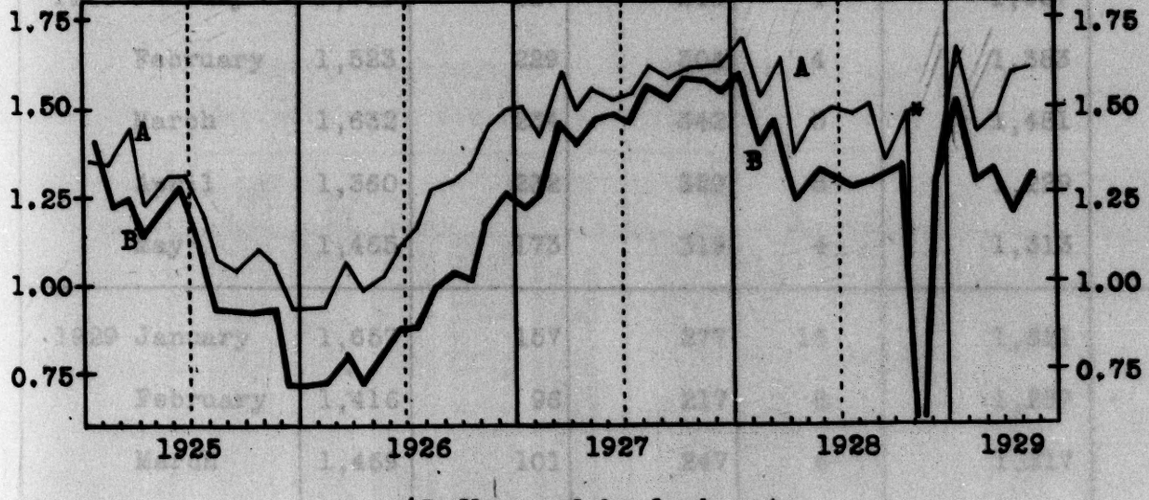
B = CONSUMPTION OF IRON BY HOME MARKET

(in million tons)

A = PRODUCTION DE FER

B = VENTES DE FER EN ALLEMAGNE

(en millions de tonnes)



* (Influenced by lock-out.
(Chiffre influencé par le lock-out.

CONSUMPTION OF IRON.

DATE	Total production	Imports	Free exports	Reparation exports	Home sales*	Surplus of exports over imports of finished iron goods*
	Pig-iron and steel in 1,000 tons					in million RM
Monthly average 1925	1,196	98	212	6	1,082	89.70
1926	1,169	85	347	8	907	102.81
1927	1,554	181	283	6	1,446	95.58
1928	1,391	163	310	6	1,238	109.61
1928 January	1,681	287	246	4	1,607	94.55
February	1,523	229	304	4	1,383	100.38
March	1,632	234	342	5	1,481	108.53
April	1,360	232	329	5	1,229	98.81
May	1,465	173	319	4	1,313	102.79
1929 January	1,657	157	277	16	1,521	124.33
February	1,416	96	217	8	1,287	129.63
March	1,469	101	247	6	1,317	106.34
April	1,598	114	491	15	1,206	156.08
May	1,613	about 109	about 421		about 1,300	about 153.78

* Including deliveries on reparation account.

The German figures contrast sharply with those of foreign countries during the same period, and throw up into strong relief the decline in activity in this German industry.

OUTPUT AS COMPARED WITH ABROAD 1928/29.

(1st quarter 1928 = 100)

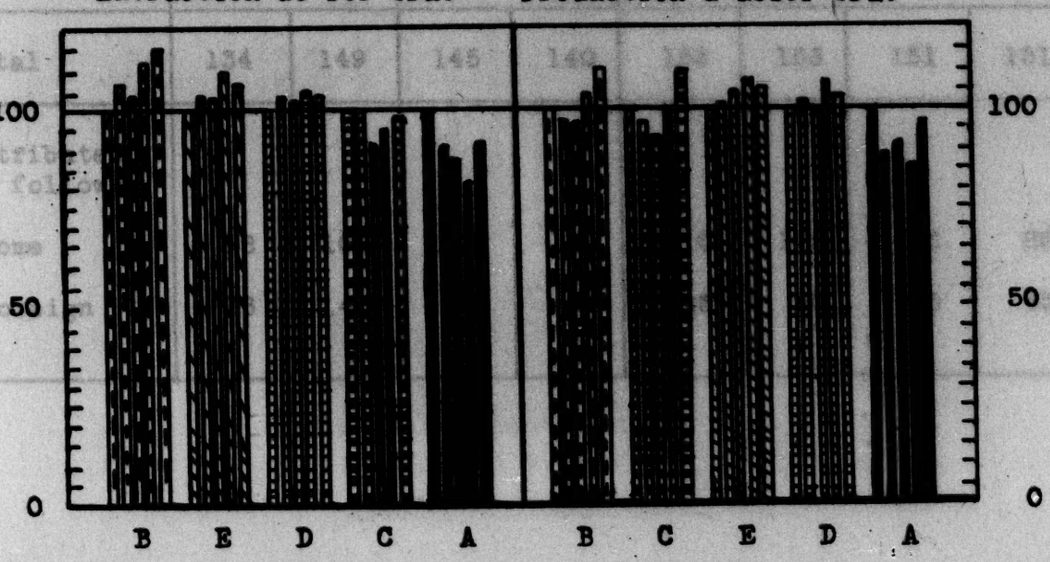
A = Germany B = U.S.A. C = Great Britain D = France E = Belgium

COMPARAISON DE LA PRODUCTION AVEC L'ÉTRANGER EN 1928-29

(Premier trimestre de 1928 = 100)

A = Allemagne B = États-Unis d'Amérique C = Angleterre D = France

E = Belgique



The decrease in domestic capital investments in plant and the increase in foreign capital investments in plant is still more apparent when we examine the movement of production in the machinery industry. The following table illustrates this tendency.

MOVEMENT OF ORDERS IN THE MACHINERY INDUSTRY

(Compiled on the basis of the reports of the Union of German Machine Construction Undertakings)

1925/26 = 100

	1927				1928				1929
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st
	Quarter				Quarter				Quarter
Total	134	149	145	140	155	153	151	151	158
distributed as follows:									
Home	98	106	105	103	110	100	96	88	89
Foreign	36	43	40	37	45	53	55	63	69

MOVEMENT OF ORDERS IN THE MACHINERY INDUSTRY

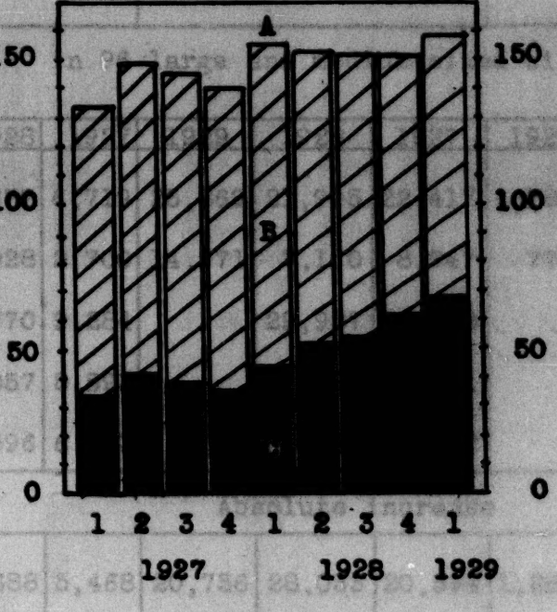
(1925-26 = 100)

A = Total B = Home C = Foreign

MOUVEMENT DES COMMANDES DANS L'INDUSTRIE DES MACHINES

(1925-26 = 100)

A = Total des commandes B = Commandes d'Allemagne
C = Commandes de l'étranger



The peculiar nature and the urgency of Germany's capital requirements is revealed in her building activity. In spite of the heavy rise in the cost of capital there is an increasing demand for building permits for dwelling-houses, whilst permits for public and commercial buildings have again considerably fallen off. The statistics of new buildings and buildings already begun have been influenced during the past half-year to such an extent by the long cold spell that they cannot be said to give a true picture of the position.

BUILDING ACTIVITY.

Building permits											
PERIOD	Dwelling-houses			Apartments			Public and industrial buildings			Industrial buildings: 1,000 cbm. space built on	
	in 96 large and medium-sized cities									in 82 large and medium-sized cities	
	1929	1928	1927	1929	1928	1927	1929	1928	1927	1929	1928
1st quarter	5,978	5,777	6,719	25,869	21,905	22,417	1,786	2,104	2,463	2,493	2,777
April	3,117	2,028	2,700	14,971	7,160	8,947	777	786	938	790	822
2nd quarter		7,770	9,284		29,987	33,378		2,558	3,073		3,048
3rd "		9,057	8,593		39,195	32,081		2,400	3,142		3,470
4th "		7,596	6,373		34,986	23,792		2,310	3,047		3,036
Absolute increase										Buildings completed	
1st quarter	4,891	6,688	5,468	20,756	28,033	20,594	1,289	1,276	1,359	2,429	1,844
April	1,281	1,783	1,658	5,675	7,259	7,341	373	481	364	700	566
2nd quarter		6,294	5,402		25,649	21,375		1,513	1,155		1,803
3rd "		7,804	6,600		29,436	25,217		1,648	1,244		3,152
4th "		9,696	9,578		39,769	37,954		1,844	1,810		3,531

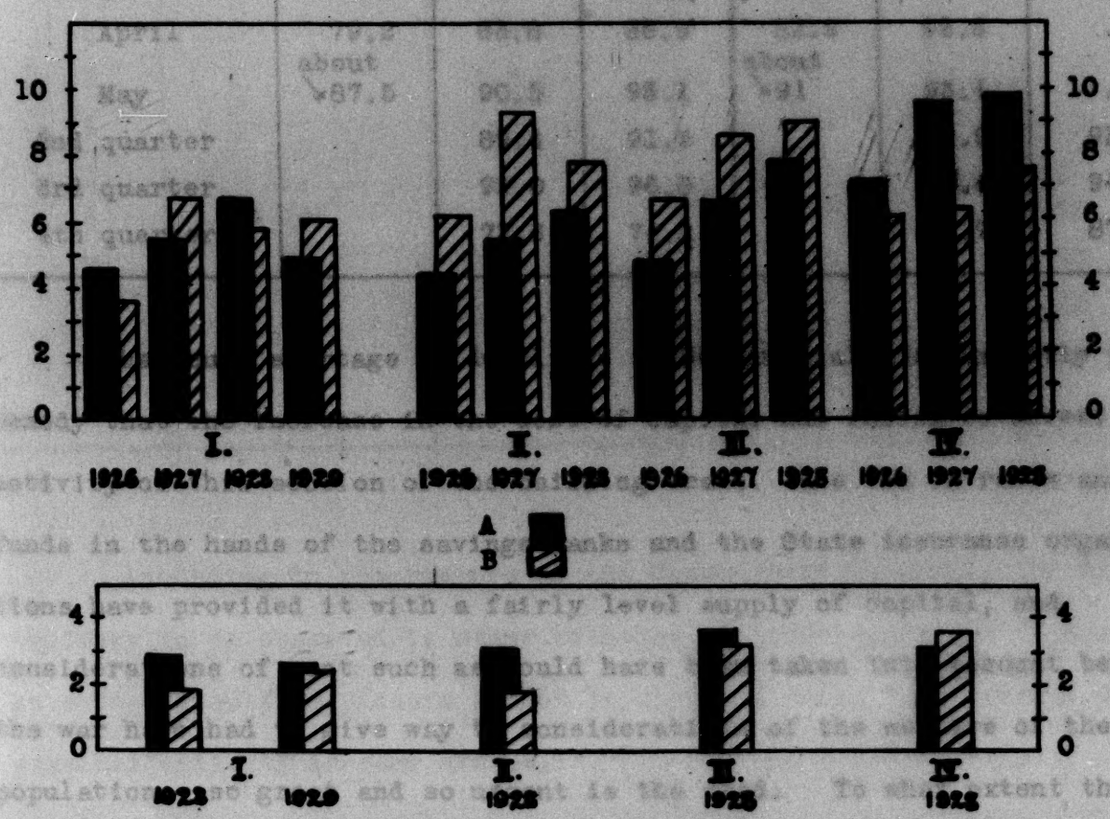
BUILDING ACTIVITY IN THE LARGE AND MEDIUM-SIZED TOWNS

A = Absolute increase, B = Building permits for dwelling houses in 1000.

ACTIVITÉ DU BÂTIMENT DANS LES GRANDES VILLES ET LES VILLES MOYENNES

A = Augmentation nette des maisons d'habitation,

B = Autorisations de bâtir pour maisons d'habitation (en milliers).



A = Building permits, B = Public and industrial buildings completed in millions of cbm.

A = Autorisations de bâtir, B = Constructions terminées (édifices publics et locaux industriels) en millions de mètres cubes.

Although there was much to be done to make good the lessened activity of the winter months, unemployment in the building trade in May (the last month for which figures are available) was still greater than in the previous year.

FULLY EMPLOYED IN PERCENTAGES OF THE MEMBERS OF THE TRADES UNIONS

Period	Building trade			Stone and earths		
	1929	1928	1927	1929	1928	1927
1st quarter	38.2	66.7	64.4	60.9	85.5	80.4
April	79.2	85.8	86.9	83.2	92.6	.
May	about 87.5	90.5	93.1	about 91	93.4	.
2nd quarter		89.4	91.5		92.9	93.2
3rd quarter		93.0	96.0		89.6	94.4
4th quarter		72.6	74.2		77.7	87.1

The acute shortage of dwellings in Germany calls so urgently for remedy that the increase in the cost of capital has failed to arrest the activity of this section of the building trade. The tax on rents and the funds in the hands of the savings banks and the State insurance organisations have provided it with a fairly level supply of capital, and considerations of cost such as would have been taken into account before the war have had to give way to considerations of the welfare of the population: so great and so urgent is the need. To what extent the difficulties of obtaining capital during the last six months will affect the construction of dwelling houses has still to be seen. So far the

increased building activity has operated to mitigate fluctuations in the business situation as a whole, of which the ups and downs in the building industry (statistics of the construction of public buildings and commercial buildings) have always been symptomatic.

FLUCTUATIONS IN BUILDING ACTIVITY - DWELLING HOUSES

	1891-1900*	1901-1910*	1911-1920*	1921-1930
	Percentage of increase (+) or decrease (-) each year as compared with the previous year			
1		- 5	+ 16	
2		+ 16	- 12	
3		+ 21	- 19	
4		+ 1		
5		- 11		
6	+ 10	+ 2		+ 33
7	+ 8	- 15		+ 27
8	+ 12	- 17		+ 10
9	- 2	+ 7		
10	- 8	+ 20		

* On the basis of calculations by the Institut für Konjunkturforschung.

According to the reports of the Chambers of Commerce, the downward tendency to be observed in other branches of trade continued in general. An entirely uniform picture cannot be obtained owing to a revival of seasonal activity in some groups.

DEVELOPMENT OF BUSINESS ACTIVITY IN SOME IMPORTANT BRANCHES OF INDUSTRY

(Based on the reports of the Chambers of Commerce and Industry)

Branch of industry	End of 1928	1929				
		January	February	March	April	May
Electrical industry	Orders from the home market, with the exception of the Ruhr area, still satisfactory. The export trade hampered by foreign competition with more favourable credit facilities	A decline of activity noticeable on the home market and in the export business.	The position of the electrical industry characterised by a further decline.	The general decline of trade felt increasingly in all branches of this industry. It is not however possible to speak of a critical reverse.	The number of orders drops still further.	A still further decline.
Chemical industry	Business continues quiet. Sales on the whole show a decline. Only individual branches of the industry able to increase their sales.	Increased activity noticeable on the home and foreign market. The individual branches of the industry state that the position of business is predominantly satisfactory.	Orders decline as a result of the cold weather.	In general the industry records satisfactory results.	Business shows a slight increase of activity. On the other hand the demand for chemical compounds declines.	Business continues satisfactory. Sales show a tendency to increase.

Branch of industry	End of 1928	1929				
		January	February	March	April	May
Automobile industry	Sales in general denoted satisfactory. Preference shown for cheap general purpose vehicles.	The position continues satisfactory.	The supply far exceeds the demand.	Spring trade results in an increase of sales. The supply however continues considerably in excess of the demand.	The recovery in lorries is maintained. Sales of passenger automobiles still leave something to be desired.	Sales slightly improved. As before, preference is shown for cheap vehicles.
Rubber industry	Business in part leaves something to be desired.	Business declines.	No change.	Sales show a slight recovery.	No reports to hand.	Position described as satisfactory.
Textile and woollen industry	Markets prove extremely difficult. Business unsatisfactory in all branches.	Mills and looms continue to be inadequately occupied. Business activity in the cloth industry shows no appreciable change.	Business in the mills deteriorates still further. The supply of orders for the looms still quite inadequate.	A slight improvement in the position of the looms and mills. The cloth trade also announces growing orders.	The seasonal increase of activity maintained. In the cloth factories business markedly affected by the inclement weather.	Sales of the carded yarn mills not up to the mark. Orders are denoted unsatisfactory. Greater activity recorded in the cloth wholesale trade.
Cotton industry	The position shows further and decisive deterioration. Mills and looms restricting their output in order to prevent a further increase of stocks.	Business remains unchanged and poor. Mills almost all working at 25 % below their capacity. In the finishing industry also business is throughout unsatisfactory.	Sales of the cotton mills continue extremely unsatisfactory. Business in the looms at a standstill. No signs of an improvement in the state of the finishing industry.	The position throughout the entire industry remains bad. A slight recovery noticeable in the wholesale cotton trade.	Business declines still further. Mills obliged to restrict working still further.	Mills in general record a further decline of business. Further increase of restrictions of work. A recovery in sales of certain fabrics by the looms.

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Branch of industry	End of 1928	1929				
		January	February	March	April	May
Silk industry	Market conditions for dress materials have deteriorated. The industry for tie materials on the other hand in general obtain satisfactory orders. The position of the artificial silk industry still favourable.	Hopes of an improvement not fulfilled. Customers continue to hold back in the placing of orders.	The exceptionally cold weather impedes the spring trade. Production of artificial silk increased by comparison with January.	Spring brings a seasonal recovery of business. The artificial silk industry able to increase output still further.	The position of the industry unchanged.	Demand improved. Position of the artificial silk industry remains satisfactory.
Linen industry	Christmas trade not as pronounced as in previous years. No large orders to record.	Position as before unsatisfactory.	Activity of the looms declines still further as a result of cold weather. Extension of restriction of work.	Looms continue to be insufficiently supplied with work.	Business continues to leave a great deal to be desired. Previous restrictions of work maintained.	Mills complain of lack of sales and inadequate prices. Activity of the looms continues unsatisfactory.
Glass industry	In the hollow glass industry an almost general deterioration of the position is recorded. The table glass industry records the receipt of orders as adequate.	Further decline of orders for the hollow glass industry. Prices depressed.	Further deterioration of the position of the hollow glass industry. Trade in window glass held up owing to the standstill in the building industry.	The unfavourable state of affairs continues.	Business still slack. In the table glass industry 60 to 70 % of the output is added to stocks.	No improvement in the position of the hollow glass industry. In the table glass industry recourse has to be had to closing down. Recovery in looking glasses

Branch of industry	End of 1928	1929				
		January	February	March	April	May
Leather and shoe industry	Business slack as before in the leather industry. Partial recovery in the shoe industry.	Slight recovery in the leather industry. Recovery in the shoe industry maintained.	Market conditions in the leather industry again deteriorate. No change in the shoe industry. Improvement in number of spring orders received.	No reports to hand.	A recovery in seasonal articles in the leather trade. Sales of the shoe industry still below the mark in consequence of the unfavourable weather.	Increased demand in the leather industry. Seasonal recovery in the shoe industry.
Paper industry	Position not uniform.	Degree of activity described as unsatisfactory.	Sales on the whole have proved unsatisfactory. Newsprint reports more favourable.	No improvement in the position.	The insufficiency of business continues.	Business continues insufficient. In some quarters holiday shifts are introduced.

Unemployment was particularly heavy during the current half-year owing to the severity and length of the winter. Even now it is greater than during the corresponding period of the previous year in spite of the fact that part of the work falling usually in the first quarter was postponed until the second quarter. This is shown in the following table which separates the groups of industry greatly affected by the winter from those which are less affected.

LABOUR IN SEARCH OF EMPLOYMENT

	Groups of industry greatly affected by the winter		Groups of industry less affected by the winter	
	1929	1928	1929	1928
	in thousands			
January	1,590	1,140	1,200	790
February	1,786	1,050	1,230	790
March	1,768	1,010	1,256	775
April	1,000	690	1,120	710
May	610	480	990	700

The industries manufacturing goods for consumption have suffered very heavily from unemployment, although unsatisfactory conditions have prevailed longer here than with the industries manufacturing means of production. Taken as a whole however the degree of activity rose sufficiently during the second quarter to bring the June figure nearly to the level of the previous year.

THE LABOUR MARKET

	1925		1926		1927		1928		1929				
	Jan.	April	Jan.	Apr.	Jan.	April	Jan.	April	Jan.	Feb.	March	April	May
rcentage of loyed as pared with .1,1925 ..	100.0	106.5	92.6	96.8	94.4	105.3	103.4	109.5	98.7	92.6	102.2	109.6	.
lications * 100 posts	314	199	797	628	648	394	443	316	608	631	475	400	.
rcentage of mployment g members trades ons ** ...	8.1	4.3	22.6	18.6	16.5	8.9	11.2	10.4	19.4	22.3	16.9	11.1	9.1
the in- tries nufacturing s of pro- tion	10.8	4.9	28.4	22.1	21.6	11.2	14.3	7.7	24.3	27.5	20.3	12.4	.
ing	.	.	.	.	2.8	2.2	2.3	1.6	3.1	3.2	3.3	2.3	2.5
l	7.7	5.1	18.8	19.7	15.2	10.9	5.5	4.9	9.3	10.6	9.9	8.5	7.8
ical	.	.	.	.	)			(3.0	5.0	6.7	5.7	6.0	5.6
r manu- ture	.	.	.	.	)12.5)	10.6	7.9	((4.9	8.4	9.4	8.3	4.7	.
lding	23.5	5.5	51.3	37.7	42.4	13.1	37.6	14.2	63.2	71.7	46.5	20.8	12.5
er	5.9	3.5	32.3	29.3	22.1	15.0	11.7	10.7	19.3	23.1	21.3	17.9	16.0
ther nufacture.	.	.	.	23.8	11.1	9.5	7.6	8.0	13.7	15.3	15.9	14.1	16.2
he in- tries facturing s for con- tion	4.1	3.4	17.3	18.4	11.7	6.9	7.9	7.0	14.4	16.3	14.4	11.7	.
iles	3.9	3.4	12.3	20.0	7.9	4.0	3.2	5.4	8.0	8.4	8.5	9.3	10.0
hing	.	.	.	24.0	25.6	9.3	17.4	10.3	24.3	23.0	18.7	15.0	16.2
ther ating ...	.	.	.	32.0	18.0	11.4	11.5	12.2	22.0	22.7	21.5	19.5	21.5
stuffs & ury food- ffs	.	.	19.2	17.1	10.7	10.0	7.1	7.2	11.3	13.6	13.5	11.1	9.6
hich acco in- try	.	.	.	.	10.5	12.1	5.7	7.6	16.3	21.3	23.3	19.2	16.0
ters ...	0.5	0.4	6.3	6.5	) 6.8	5.2	(3.8	3.4	6.7	6.5	7.1	7.3	7.7
binders.	.	.	13.6	16.8	)		(6.8	6.6	9.5	10.5	11.8	12.3	.
ic	.	.	.	.	17.8	6.9	12.7	5.8	23.3	30.2	22.8	13.2	9.2

* In 1913 there were 161 applications per 100 posts.

** In 1913 unemployment among members of trades unions amounted to 2.9 per cent.

THE LABOUR MARKET (continued)

	1925		1926		1927		1928		1929				
	Jan.	Apr.	Jan.	Apr.	Jan.	Apr.	Jan.	Apr.	Jan.	Feb.	March	Apr.	May
rcentage of rt-time work ng members trades ions	5.5	4.9	22.6	19.1	6.6	3.7	3.5	4.2	8.7	8.9	8.0	7.1	6.8
the indus- ies manu- cturing ns of oduction ...	3.4	2.9	21.3	16.7	6.5	3.8	2.6	2.5	6.7	7.2	5.7	5.0	.
the indus- ies manu- cturing ds for sumption ..	8.8	8.2	33.7	31.8	8.6	4.4	7.1	9.9	17.6	18.3	18.1	16.2	.

Unemployed receiving relief including those receiving emergency relief at end of month in 1,000

	June 1925	June 1926	June 1927	June 1928	Jan.	Feb.	March	April	May	June 26
					1929					
l	195	1,741	749	725	2,392	2,622	2,091	1,325	1,011	about 740
hich:										
le	173	1,408	597	529	2,045	2,260	1,750	1,031		
male	22	333	152	196	347	362	341	294		

THE LABOUR MARKET ACCORDING TO THE REPORTS OF THE PROVINCIAL LABOUR OFFICES.

May: 1st week	The seasonal relief is proceeding satisfactorily. Since the position altered, approximately 1.3 million unemployed again found employment.
2nd week	The seasonal demand for labour slackens. Agriculture and the building industry continue however able to absorb labour.
3rd week	The position on the labour market continues to develop satisfactorily. The increased activity is chiefly to be found in the outdoor trades.
4th week	The labour market continues to improve, although at an appreciably slower rate.
June: 1st week	The position on the labour market improves still further. The number of persons in receipt of relief sinks for the first time below the level which the unemployment insurance is able to cover out of its own funds.
2nd week	A slight easing of the labour market continues to be observed.
3rd week	A further very slight easing of the labour market is to be observed.

The fluctuations in employment, to judge from the fluctuations on the labour market, are still much greater than those of pre-war years.

FLUCTUATIONS IN NUMBER OF UNEMPLOYED.

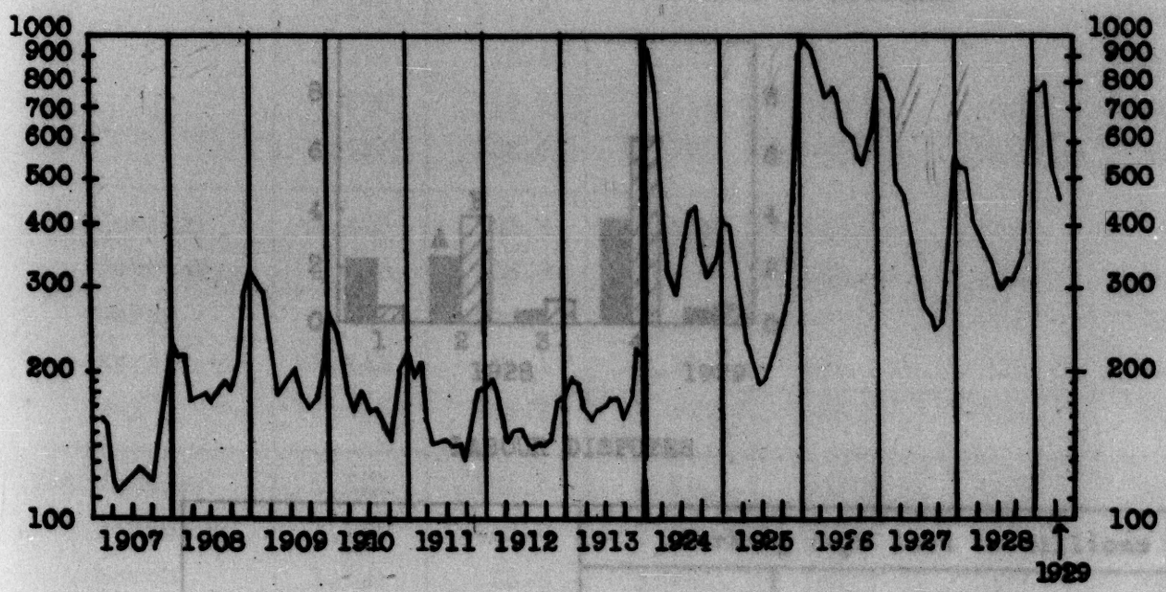
Date	Minimum figure	Maximum figure	Date	Minimum figure	Maximum figure
1907	113	230	1924	289	927
1908	112	330	1925	190	893
1909	168	318	1926	541	963
1910	145	254	1927	246	814
1911	133	210	1928	296	773
1912	140	192	1929	458	798
1913	160	219			

FLUCTUATIONS IN NUMBER OF UNEMPLOYED

(logarithmetic level) Applications per 100 posts.

FLUCTUATIONS DANS LES DEMANDES DE TRAVAIL

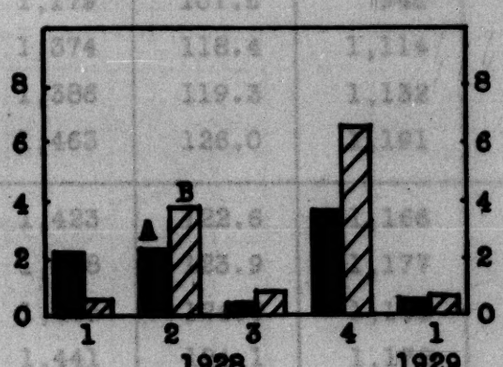
Demandes pour 100 places vacantes (échelle logarithmique)



Some part of the total labour output lost owing to increased unemployment has been counter-balanced as a result of the fact that there have been fewer labour disputes. It is remarkable - and before the war one would have said, a symptom of incipient business depression - that the proportion of lock-outs to strikes during the second quarter of the past year has changed completely, and lock-outs have been responsible for the greater number of working days lost.

LABOUR DISPUTES

A = Strikes B = Lock-outs in millions



LABOUR DISPUTES

		Working days lost in millions		
		Total	due to	
			Strikes	Lock-outs
1899 - 1913 Quarterly average		2.1	1.4	0.7
1928	1st quarter	2.8	2.2	0.6
	2nd quarter	6.1	2.3	3.8
	3rd quarter	1.2	0.4	0.8
	4th quarter	10.2	3.6	6.6
1929	1st quarter	1.1	0.5	0.6

As regards the output of the individual worker the only figures available are for the Ruhr coal mining industry and the German Railway Company. They indicate a slow rise in the output per head.

DEVELOPMENT OF OUTPUT IN THE RUHR COAL MINING INDUSTRY.

DATE	Output per shift				Total number of men employed	
	per head of the underground workers		per head of the total No. of men employed.		Absolute total in 1,000	in % of 1913
	in kg.	in % of 1913	in kg.	in % of 1913		
1913	1,161	100.0	943	100.0	426	100.0
1924	1,079	92.9	857	90.9	463	109.6
1925	1,179	101.6	946	100.3	434	101.6
1926	1,374	118.4	1,114	118.1	384	90.4
1927	1,386	119.3	1,132	120.0	408	95.8
1928*	1,463	126.0	1,191	126.3	382	89.7
1928 January	1,423	122.6	1,166	123.7	398	93.4
February	1,438	123.9	1,177	124.8	397	93.2
March	1,445	124.5	1,183	125.5	396	93.0
April	1,441	124.1	1,172	124.3	396	93.0
May	1,455	125.3	1,178	124.9	387	90.8
1929 January	1,521	131.0	1,240	131.5	365	85.7
February	1,536	132.3	1,248	132.3	366	85.9
March	1,551	133.6	1,261	133.7	368	86.4

* Average of 9 months.

DEVELOPMENT OF OUTPUT OF THE GERMAN RAILWAY COMPANY

DATE	Axle-kilometers worked per head of the staff employed. Monthly average	
	in km.	in % of 1925
1925	2,853.8	100.0
1926	3,129.3	109.6
1927	3,388.2	118.7
1928	3,547.0	124.2
1929 January-April*	3,583.2	125.5

* Provisional figures.

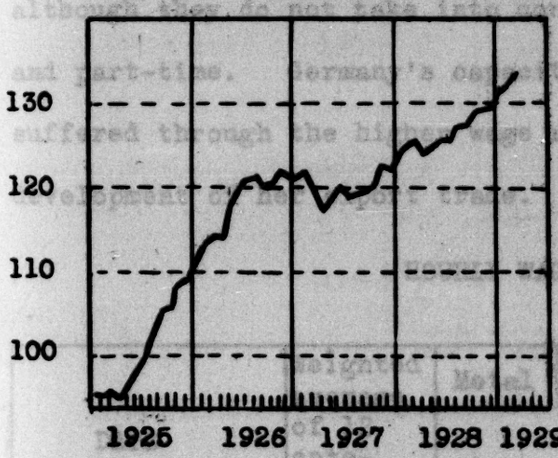
OUTPUT IN THE RUHR COAL MINING INDUSTRY

Output per shift per head of the total number of men working

1913 = 100

ÉVOLUTION DU RENDEMENT DU TRAVAIL DANS LES CHARBONNAGES DE LA RUHR

Quantités de charbon extraites, par ouvrier occupé



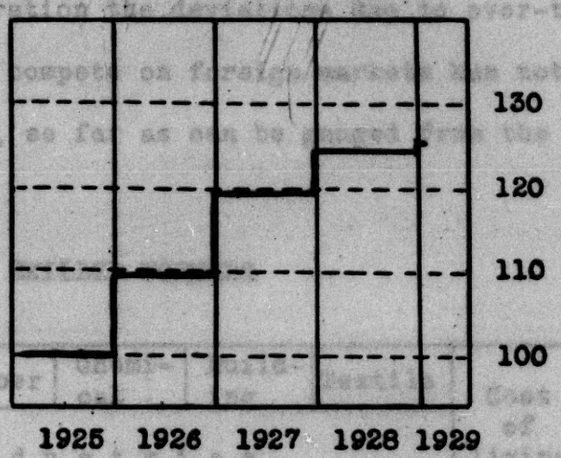
OUTPUT OF THE GERMAN RAILWAY

Axle-kilometer worked per head of staff employed

1925 = 100

ÉVOLUTION DU RENDEMENT DU TRAVAIL DANS LE RÉSEAU DE LA COMPAGNIE DES CHEMINS DE FER ALLEMANDS

Kilomètres-essieux parcourus, par salarié de la Compagnie



The increases in output are one of the most remarkable characteristics of Germany's economic development during recent years. Great as are the efforts made, they nevertheless do not suffice to compensate the losses arising out of the war and its consequences. A further increase in output is absolutely necessary during the next few years.

The movement of wages has probably been affected by the increased output. Further rises have been accorded during the current six months, although the cost of living has not changed to any great extent. The following tables showing the hourly and weekly wages illustrate the position, although they do not take into consideration the deviations due to over-time and part-time. Germany's capacity to compete on foreign markets has not suffered through the higher wage rates, so far as can be gauged from the development of her export trade.

HOURLY WAGE OF SKILLED WORKERS

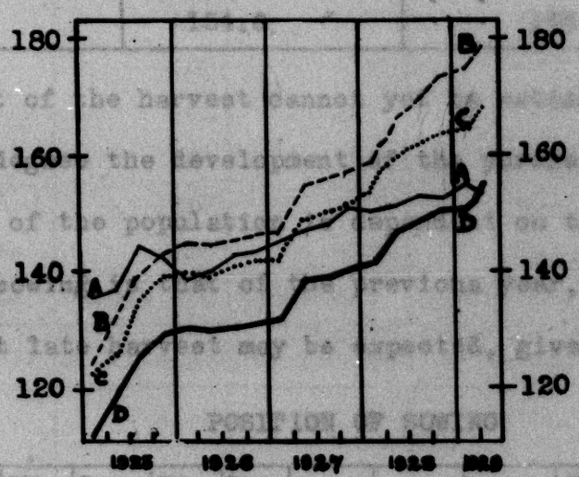
DATE	Weighted average of 12 categories	Metal	Timber	Chemical	Building	Textile	Cost of living
		Industries					
	Percentages of 1913						
1925	130.8	128.0	142.0	140.9	146.2	134.4	139.6
1926	140.7	138.3	155.2	149.5	160.7	143.2	141.1
1927	148.2	144.2	164.7	159.3	167.8	155.0	147.6
1928	159.5	150.9	181.8	174.4	179.5	170.7	151.7
1929 1st quarter	164.1	150.6	189.8	181.4	187.4	174.3	154.7
1929 April 1	164.6	150.6	189.8	181.4	187.4	175.2	153.6
May 1	168.0	153.9	189.8	184.4	195.7	175.2	153.5

WAGES AND COST OF LIVING
(1913 = 100)

A = Index of cost of living
B = Weekly wage of unskilled workers
C = Hourly wage of skilled workers
D = Weekly wage of skilled workers.

SALAIRES ET COÛT DE LA VIE
(1913 = 100)

A = Indice du coût de la vie
B = Salaires hebdomadaires des ouvriers non qualifiés
C = Salaires horaires des ouvriers qualifiés
D = Salaires hebdomadaires des ouvriers qualifiés.



WEEKLY WAGE OF WORKERS

Period	Weekly wage with regular working hours (Weighted average % of 1913)		Cost of living in percentage of 1913
	Skilled workers	Unskilled workers	
Yearly average			
1925	121.6	134.9	139.6
1926	130.6	145.2	141.1
1927	137.2	153.5	147.6
1928	146.9	167.0	151.7
1929, 1st quarter	151.1	174.6	154.7
1929, April	151.8	175.5	153.6
1929, May	154.6	178.7	153.5

The result of the harvest cannot yet be estimated. Upon it depends to a very great degree the development of the purchasing power of the nation. Nearly a quarter of the population is dependent on the proceeds of the harvest. The position of sowing is that of the previous year, and an equally good although somewhat late harvest may be expected, given normal weather conditions.

POSITION OF SOWING

DATE	Wheat		Winter Spelt	Rye		Barley		Oats	Potatoes	Sugar Beet	Roots for fodder (Beetroot)	Clover	Lucerne	Pasture land	
	Winter	Summer		Winter	Summer	Winter	Summer							Irrigated	Other
1,1913*	2.4	2.5	2.4	2.6	2.6	.	2.4	2.5	2.7	.	.	2.7	2.6	2.1	2.6
1,1924	2.9	2.7	2.7	3.3	2.8	3.1	2.6	2.7	3.0	2.8	2.9	2.8	2.7	2.2	2.5
1,1925	2.4	2.7	2.4	2.4	2.8	2.5	2.6	2.8	2.7	2.7	2.7	2.4	2.4	2.2	2.6
1,1926	2.7	2.7	2.5	3.0	2.9	2.8	2.6	2.7	2.8	2.8	2.9	3.3	2.9	2.6	2.9
1,1927	2.6	2.7	2.5	3.0	3.0	2.8	2.7	2.9	3.2	3.0	3.0	2.7	2.7	2.6	3.1
1,1928	2.8	2.8	2.5	3.1	2.9	3.1	2.6	2.8	3.0	3.1	3.1	3.1	3.1	2.9	3.3
1,1929	2.8	2.8	2.6	2.9	2.9	3.5	2.6	2.8	3.0	2.8	2.8	3.0	2.9	2.8	3.0

*Pre-war territory of the Reich.

One reason for anticipating satisfactory results, if weather conditions are normal, is to be found in the further increase in the use of artificial fertilisers. The use of natural fertilisers is now probably what it was before the war, since the number of livestock in the country is now again up to the pre-war level.

THE CONSUMPTION OF ARTIFICIAL FERTILISERS.

Fertiliser year May - April or July - June	Nitrates in 1,000 tons N	Phosphates in 1,000 tons $P_2 O_5$	Potash in 1,000 tons $K_2 O$	Burnt lime in 1,000 tons	Carbonate of lime in 1,000 tons
	Present territory of the Reich				
1913/14	185	555	490	2,000	2,500
1914-1918	86	412	642	.	.
1918-1921	162	209	668	.	.
1921-1924	281	258	669	460	595
1924-1927	357	412	663	578	707
1927/28 July/June	390	508	733	700	862
1928/29 July/June	about 410	about 503	about 780	about 764	about 991
	Utilisation of artificial fertilisers in kg.per hectare				
1913/14	6.00	18.00	15.90	.	.
1927/28	13.45	17.45	25.30	.	.

The continuous nature of the agriculturalist's outlay, the difficulty and uncertainty in the forecasting of results and profits, and the extremely slow turnover of the capital invested for the reason that it is dependent on a single operation viz. the harvest, inevitably mean that the agriculturalist is especially penalised by difficulties in the supply, or increases in the cost, of capital. There are few forms of economic activity, in the case of which reorganisation is impeded

by the increased cost of capital as it is in the case of agriculture, and few which stand to profit as agriculture does from improvement in the conditions of capital supply. In view of the prevailing interest burden any increases of output, which can be achieved without involving the agriculturalist himself in the expenditure of capital, deserve special consideration. Amongst such measures attention may once more be drawn to the importance of shortening the distance between town and country by the improvement of communications, so as to bring those regions of agricultural production which are hardest hit closer to the centres of consumption.

MARKETING.

The following has been the course of development of the four principal forms into which the marketing effort of the country may be divided. (1) The mass consumption, which accounts for the greater part of the country's production, shows only slight changes. As against the wage increases there is the increased unemployment and the anxiety as to a further increase of the same, which have checked any increase in consumption. (2) Investments in plant have on the whole slightly declined. (3) The supply of stocks, apart from seasonal fluctuations, shows little change: there has been a tendency, which is still apparently running its course, for the stocks to be shifted from the last to the first consumer. (4) Exports accounted for a growing proportion of Germany's production.

As a symptom of the development of mass consumption the figures with regard to the consumption of meat may again be quoted. In any comparison with the period before the war the growth in the numbers of persons earning their living and in the numbers of the population in the middle period of life with the corresponding increase in the consumption of meat per head must be taken into account.

CONSUMPTION OF MEAT

Per head of the total population in kg.					
	1913	1926	1927	1928	1929
1st quarter	12.82	12.31	12.80	14.26	13.93
2nd quarter	12.52	10.90	12.33	12.91	.
3rd quarter	12.86	11.50	12.76	12.82	.
4th quarter	13.80	13.36	15.53	14.97	.
Annual consumption	52.00	48.07	53.42	54.96	.
Per head of total population in % of 1913					
	1913	1926	1927	1928	1929
1st quarter	100.00	96.02	99.85	111.31	108.7
2nd quarter	100.00	87.06	98.48	103.03	.
3rd quarter	100.00	89.43	99.22	99.61	.
4th quarter	100.00	96.81	112.53	112.45	.
Annual consumption	100.00	92.44	102.73	105.70	.
Per head of meat-consuming population in % of 1913					
	1913	1926	1927	1928	1929
Annual consumption	100.00	84.60	94.00	99.9	.

The turnover of the consumers' co-operatives per head of the members has again increased. This is partly due to the increased number of commodities offered at bargain prices.

TURNOVER OF CONSUMERS' CO-OPERATIVES PER HEAD OF MEMBERS

Average turnover per head of the members	1927	1928	1929	1927	1928	1929	Index of cost of food		
	in RM			Percentage of 1913			1927	1928	1929
1st quarter	6.08	7.76	9.19	108.6	138.6	164.1	151.4	151.4	156.1
2nd quarter	6.50	8.07		116.1	144.1		151.3	151.3	
3rd quarter	6.74	8.12		120.4	145.0		152.6	154.6	
4th quarter	8.46	9.28		151.1	165.7		152.1	152.2	

The turnover of the big stores was only slightly bigger than that of the corresponding period of the previous year. The rate of increase has steadily slowed down.

TURNOVER OF THE BIG STORES

Period	Total turnover	Foodstuffs & luxury foodstuffs	Clothing	Household effects & furniture	Index of prices for articles of consumption
	in percentages of the corresponding pre-war period				
1928					
1st quarter	115.8	136.8	113.9	114.2	114.3
2nd quarter	113.6	137.8	112.6	112.4	112.3
3rd quarter	112.0	122.1	108.7	112.4	108.1
4th quarter	107.4	100.5	104.2	109.4	102.8
1929					
1st quarter	103.5	134.2	101.9	103.1	100.6
April	101.2	109.1	84.2	110.4	99.4

Domestic capital investments in plant and the formation of stocks must have been reduced. Imports have fallen and exports have increased parallel with a gradual rise in mass consumption and reduced output. The falling figures for sales on the home market of iron and machinery as well as for building activity (to which reference has already been made) would also appear to bear out this assumption.

IMPORTS

DATE	Imports (not including gold or silver)					Excess or Surplus	
	Total	of which			Per head of the population	Imports (-) not including deliveries in kind on reparation account	Exports (+) including deliveries in kind on reparation account
		Foodstuffs	Raw materials	Finished goods			
	in millions of RM				in RM	in millions of RM	
1913	897	234	523	116	14.9	- 56	-
1924	723	212	363	141	11.6	- 171	- 139
1925	984	319	496	159	15.8	- 240	- 197
1926	808	289	400	110	12.9	+ 19	+ 71
1927	1,150	350	581	205	18.2	- 285	- 237
1928	1,137	339	586	199	17.8	- 155	- 100
1928							
January	1,316	437	641	224	20.7	- 441	- 388
February	1,210	308	674	217	19.1	- 254	- 202
March	1,192	325	622	233	18.7	- 156	- 98
April	1,140	329	591	209	17.9	- 206	- 147
May	1,054	294	550	198	16.5	- 147	- 97
1929							
January	1,319	404	688	215	20.6	- 283	- 214
February	1,017	280	546	182	15.9	- 96	- 44
March	1,022	263	563	188	16.0	- 91	- 39
April	1,255	351	692	200	19.6	- 91	- 24
May	1,122	300	613	196	17.5	- 23	+ 54

The decrease in imports is confined to foodstuffs and finished goods. Imports of raw materials have risen.

Exports are happily increasing, although, even allowing for deliveries in kind and the depreciation of money, they still fall behind the pre-war level per head of the population.

FOREIGN TRADE

(in millions of RM)

A = Imports B = Free exports

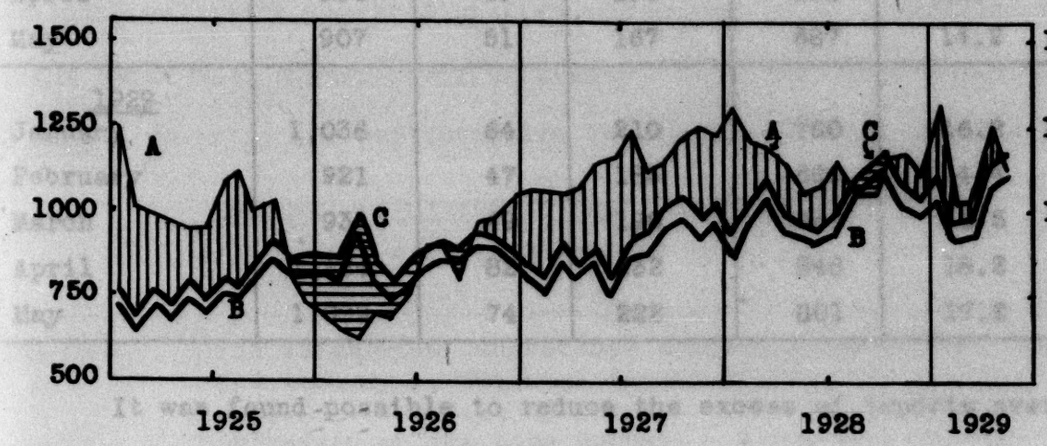
C = Exports including deliveries in kind on reparation account

COMMERCE EXTÉRIEUR

(en millions de reichsmarks)

A = Importations B = Exportations libres

C = Exportations y compris les livraisons au titre des réparations



EXPORTS

DATE	Free Exports (not including gold and silver)					Deliveries in kind on reparation account
	Total	of which			per head of the population	
		Foodstuffs	Raw materials	Finished goods		
	in millions of RM				in RM	in millions of RM
1913	841	89	190	562	14.0	-
1924	552	35	77	439	8.9	32
1925	744	44	139	560	11.9	43
1926	827	40	197	589	13.2	52
1927	865	35	190	638	13.7	48
1928	982	51	192	719	15.4	55
1928						
January	875	38	195	641	13.8	53
February	956	43	212	700	15.0	52
March	1,036	50	214	772	16.3	58
April	934	49	191	692	14.7	59
May	907	51	167	687	14.2	50
1929						
January	1,036	64	210	760	16.2	69
February	921	47	183	690	14.4	52
March	931	49	190	691	14.5	52
April	1,164	82	232	848	18.2	67
May	1,099	74	222	801	17.2	77

It was found possible to reduce the excess of imports over exports from the sum of nearly one milliard reichsmarks for the first five months of the previous year to about a quarter of a milliard in the present year. The efforts of previous years are beginning to bear fruit. Moreover Germany is at the present time able to profit by improved economic conditions throughout the world and by increasing foreign capital investments. During the past eighteen months exports have risen without any pressure on prices, although the tendency throughout the world has been for prices to sink rather than to rise. The prices obtained by the export trade in 1928 exceed those obtained

in 1927 by 2.1 per cent, when the individual categories exported in 1928 are calculated at the prices obtained for them in 1927. A corresponding comparison of the first four months of 1929 with the first four months of 1928 reveals a further rise of 0.4 per cent. Taking the various items composing the group "Finished goods" alone, there will be found to be an increase of 1.3 per cent in 1928 and a further increase of 0.75 per cent for the first four months of 1929.

The trade revival abroad appears to be still continuing, and it may be assumed that German industry will further benefit by increased orders. But in spite of Germany's improved position on the world market, remarkable as it is, she has not progressed sufficiently to be able to meet her liabilities in respect of reparations. On the one hand reductions in the cost of manufacture simultaneously with improved quality and extension of commercial relations - on the other hand higher power of absorption of the world market following upon Germany's re-entry and participation in pioneer work are equally necessary.

ECONOMIC SITUATION IN SOME IMPORTANT COUNTRIES DURING THE FIRST HALF OF 1929.

France	The favourable conjuncture extends to almost all branches of the economy. The high degree of business activity results in part in a shortage of labour. Increased output is disposed of primarily on the home market. Fresh capital expenditure on plant is largely effected out of own resources.
Great Britain	Signs of economic recovery are recorded. Increase of production.
Belgium	Business activity maintained.
Netherlands	The slight economic recovery, which came to a standstill at intervals during the winter, has continued slowly.
Spain	Slight deterioration of the economic position, partly affected by falls in the exchange rate.

Italy	Beginning of recovery. Decline of unemployment. General increase of production.
Austria	The economic position continues to be relatively favourable. Satisfactory degree of activity, particularly in the iron producing industry.
Switzerland	Continuous favourable economic situation. Decline of unemployment. Individual indications of a falling off of business.
Czecho-Slovakia	Economic situation in general satisfactory, although indications of a certain falling off have to be recorded.
Sweden	Rising figures of production in the iron and steel industries. Position on the wood-pulp and paper market satisfactory. Degree of activity generally satisfactory.
United States	Trade boom continues. Further expansion of the volume of production, particularly in the case of the iron, steel and automobile industries.
Canada	The recovery maintained. The volume of production continues to show a pronounced tendency to increase. Foreign trade results satisfactory.
Argentina	The position continues favourable. Building activity has increased.
Chile	Development of business favourable. Production figures above last year's level. Foreign trade balance decidedly favourable.
Dutch East Indies	The economic position in general satisfactory.
British India	The winter harvest good. Prospects for the development of business satisfactory.
South Africa	The economic position in general satisfactory.
Japan	Recovery slowly setting in. Business activity in industry is on the whole satisfactory.
Australia	Depression continues. Unemployment is as before unusually widespread.

The movement of prices displays a downward tendency. Prices particularly affected by trade conditions had already begun to fall during the second quarter of 1928, and are still falling. Prices for industrial finished goods have fallen still further since the turn of the year, and it is noticeable in this connection that articles of consumption which previously rose more rapidly in price than means of production are now falling more quickly than the latter. The prices of the raw materials required for both groups began to fall as far back as the middle of last year, and here again articles of consumption were affected to a greater extent than means of production. The prices for agricultural products have followed their own line of development mainly dominated by the yield from home and foreign harvests. The index figure of the wholesale trade, as representing the price movement as a whole, reveals a sinking tendency since the beginning of the year. Declining trade in general, a relatively stable mass consumption, offset by a cessation in the formation of stocks coupled with a reduction in the proportion of raw materials and an increase in the proportion of finished goods contained in the stocks, reduced domestic capital investments in plant and increasing exports - these are the characteristic signs of the second half of last year and the first five months of the current year. The rise in the cost of credits, which began during the Reparation Conference, and still continues, if not to the same extent, causes the German economy to be still more reserved in its capital investments in plant and in its formation of stocks. Prices are likely to fall still further unless some of the industrial groups profit by the trade revival abroad and find compensation for their lost home markets.

MOVEMENT OF PRICES

(1913 = 100)

DATE	Commodities affected by trade conditions	General index figure	Agricultural products	Industrial raw materials and half-finished goods	Industrial finished goods	
					Means of production	Articles of consumption
	Monthly average					
1924	144.5	137.3	119.6	142.0	128.5	177.1
1925	143.8	141.8	133.0	141.0	135.9	172.4
1926	117.1	134.4	129.3	129.7	132.5	162.2
1927	128.4	137.6	137.8	131.9	130.2	160.2
1928	134.7	140.0	134.3	134.1	137.0	174.9
1928 1st quarter	139.6	138.4	131.2	133.8	135.2	172.9
2nd "	135.8	140.7	135.1	134.7	136.5	174.9
3rd "	133.7	141.0	136.1	134.3	137.9	175.8
4th "	129.9	140.1	134.7	133.7	138.4	175.9
1929 1st quarter	128.8	139.3	133.1	134.0	137.5	174.0
April	126.8	137.1	128.2	133.1	137.6	173.0
May	118.4	135.5	125.9	131.4	137.9	172.2
June 5	125.6	136.9	128.3	132.6	137.7	172.9
" 12	120.5	134.9	124.4	131.2	138.4	172.2
" 19	122.0	135.2	125.0	131.4	138.4	172.2

The fall in prices, which coincided with trade depression in Germany, is also interesting in its relation to the movement of prices on the world market. The following table gives the price indices of a number of countries engaged in international trade, arranged in three groups. The first group comprises countries whose currencies remained unaffected by depreciation or were only slightly depreciated and have now returned to the pre-war gold parity; the second group comprises countries whose currencies recently depreciated and have been reorganised on an entirely new basis; the third group covers a few of the big Asiatic States.

Of these groups, the first shows a continuous (if fluctuating) fall since 1920 which has somewhat slowed down recently. The second has until recently been characterised by the rise in prices, which has now given way to the reverse movement in Germany and some other countries. The third group reveals very varied development. Although it is not yet possible clearly to foretell the movement of world prices - some of the leading countries have only just put their currencies in order - there are many indications that the downward movement, which began in 1920 and still continues in spite of fluctuations, has not yet come to an end. Increased production is again supplying mankind to a greater extent with articles for its consumption.

COMPARISON OF INTERNATIONAL PRICES

(based on index calculations) 1926 = 100

		1926	1927	1928	1929				
		Average			Jan.	Feb.	March	April	May
Group I	(U.S.A	100	95.0	98.0	97.0	97.0	98.0	97.0	
	(Great Britain	100	95.3	94.6	93.2	93.2	94.6	93.9	93.1
	(Holland	100	102.1	102.8	100.7	100.7	101.4	99.3	97.9
	(Switzerland	100	97.9	100.0	98.6	98.6	97.9	96.5	96.1
	(Sweden	100	98.0	99.3	96.6	97.3	96.6	94.6	
Group II	(Germany	100	103.0	104.5	103.7	103.7	104.5	102.2	101.1
	(France	100	107.7	107.7	109.4	111.1	111.1	108.5	108.5
	(Belgium	100	102.5	102.5	105.0	104.2	104.2	103.3	102.5
	(Italy	100	106.1	102.3	103.1	103.1	103.1	102.3	100.8
	(Poland	100	113.3	114.3	110.5	111.4	111.4	110.5	
Group III	(British India	100	98.2	97.0	98.8	100.0	98.2		
	(China	100	95.3	92.3	89.9	89.9	91.1		
	(Japan	100	95.9	94.1	92.9	91.7	90.5		

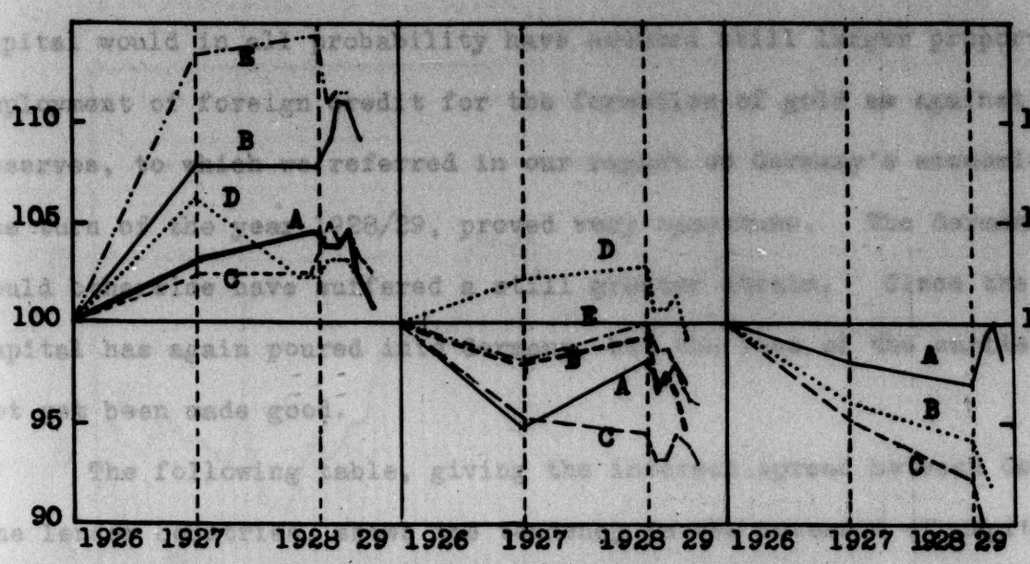
COMPARISON OF INTERNATIONAL PRICES

(Average 1926 = 100)

COMPARAISON INTERNATIONALE DES PRIX

(Moyenne de 1926 = 100)

A = Germany	A = U.S.A.	A = British India
B = France	B = Sweden	B = Japan
C = Belgium	C = Great Britain	C = China
D = Italy	D = Holland	
E = Poland	E = Switzerland	
A = Allemagne	A = Etats-Unis d'Amérique	A = Indes anglaises
B = France	B = Suède	B = Japon
C = Belgique	C = Grande-Bretagne	C = Chine
D = Italie	D = Pays-Bas	
E = Pologne	E = Suisse	



THE CAPITAL MARKET.

In spite of reduced capital investments in plant, reduced output and a reduced deficit in the foreign trade balance, the facilities and prices of Germany's capital supply worsened during the current half-year. Increased payments on Reparation account, reduced capital imports and flight of capital are the causes. At the beginning of the year there was a slight improvement owing to the seasonal fall in home and foreign requirements, with the result that the Reichsbank lowered its discount rate by ½ per cent. During the following months however, foreign and domestic capital left the country to such an extent within a short interval that the Reichsbank was obliged to draw upon its gold and foreign exchange holdings to the amount of nearly one-third of the total to meet the situation. Had the Reichsbank not raised its discount rate by 1 per cent and restricted its credits in May, the flight of capital would in all probability have assumed still larger proportions. The employment of foreign credit for the formation of gold as against commodity reserves, to which we referred in our report on Germany's economic position at the turn of the year 1928/29, proved very opportune. The German loan market would otherwise have suffered a still greater strain. Since the end of May capital has again poured into Germany, but the loss of the earlier months has not yet been made good.

The following table, giving the interest spread between Germany and the lender countries, shows the tendency in the movement of capital supply, and how it succumbed, now to the influence of big domestic requirements in foreign countries, now to seasonally reduced German requirements, now to a general feeling of uneasiness resulting in the flight of capital.

SPREAD BETWEEN GERMAN MONEY MARKET RATES AND FOREIGN RATES

1. German rates
2. Foreign rates

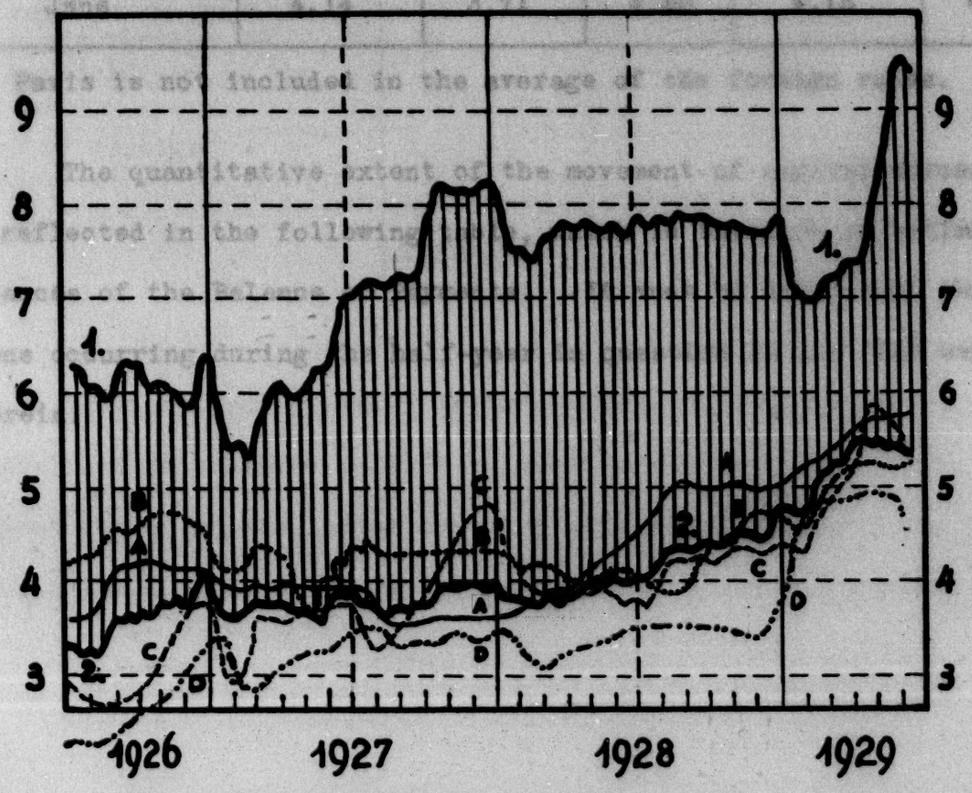
comprising:

A = New York B = London C = Amsterdam D = Zurich

ÉCART ENTRE LES TAUX DU MARCHÉ DE L'ARGENT EN ALLEMAGNE ET A L'ÉTRANGER

1. Taux en Allemagne
2. Taux à l'étranger

A = New-York B = Londres C = Amsterdam D = Zurich



SPREAD BETWEEN GERMAN MONEY MARKET RATES
AND FOREIGN RATES

DATE	Spread between German and					
	Foreign rates *	New York rates	London rates	Amsterdam rates	Zurich rates	Paris rates
1927 January	2.07	1.73	1.55	2.78	2.56	0.72
July	3.38	3.29	2.76	3.92	3.63	5.02
December	4.24	4.60	3.88	3.36	4.77	5.24
1928 January	3.93	4.10	3.53	3.65	4.34	4.90
July	3.68	3.12	3.87	3.99	4.33	4.72
December	3.19	2.81	3.43	3.08	4.29	4.39
1929 January	2.54	2.15	2.99	2.80	2.58	3.94
February	1.98	1.68	1.95	2.23	2.20	3.68
March	2.04	1.72	2.01	2.20	2.44	3.96
April	2.13	1.94	2.36	1.71	2.62	4.23
May	3.53	3.31	3.83	3.38	4.13	5.61
June	4.14	3.71	4.20	4.15	4.87	6.08

* Paris is not included in the average of the foreign rates.

The quantitative extent of the movement of capital across the frontiers is reflected in the following table, which is based on an estimate of the balances of the Balance of Payments. It must be noted that the fluctuations occurring during the half-year in question do not find expression therein.

GERMAN CAPITAL IMPORTS
JANUARY - MAY 1928 AND 1929

	Requirements			Cover	
	1928	1929		1928	1929
	in millions of RM about			in millions of RM about	
Adverse balance of trade balance, not including funds for currency cover, but including free deliveries of precious metals and deliveries in kind on reparation account	1,200	300	Decrease in the visible gold and foreign exchange holdings of the Reichsbank	-	820
			Foreign loans, in so far as included in statistics (net proceeds)	770	220
Adverse balance in respect of interest, services rendered, emigrants' and immigrants' capital transfers, domestic payments on reparation account .	150	250	Decrease in the invisible foreign exchange holdings of the Reichsbank ..	1,500	330
			Other capital imports (calculated as balance)		300
Reparations	750	1,070			
Increase in the visible gold and foreign exchange holdings of the Reichsbank	170	-			
Issue of foreign securities	-	20			
	2,270	1,640		2,270	1,640

Capital imports have therefore fallen on balance from about 2½ milliard reichsmarks in 1927 to about ½ milliard reichsmarks in the present year; of the latter amount ½ milliard reichsmarks was employed to meet the increased reparation payments.

The fluctuations occurring during the half-year are better reflected in the following table showing the foreign exchange rates and the movement of gold and foreign exchange at the Reichsbank, which at once reveals the change in direction of the stream of capital. The movement of foreign exchange at the Reichsbank was greater than the returns of the Bank show, as there was a very appreciable and simultaneous movement of the foreign exchange reserves not reported.

FOREIGN EXCHANGE RATES AND CURRENCY COVER

DATE	Deviation of foreign exchange rates in Berlin from parity in percentages of parity	Changes in the currency cover reported (in millions of RM)
January 1928	+ 0.05	+ 14
December 1928	- 0.18	+ 88
January 1929	- 0.01	- 3
February 1929	+ 0.12	- 62
March 1929	+ 0.15	- 100
April 1929	+ 0.29	- 738
1st May week 1929	+ 0.36	- 171
2nd " " 1929	+ 0.32	+ 1
3rd " " 1929	+ 0.20	+ 90
4th " " 1929	- 0.14	+ 153
5th " " 1929	- 0.23	
1st June " 1929	- 0.29	+ 9
2nd " " 1929	- 0.29	+ 10
3rd " " 1929	- 0.34	+ 12

INCREASE AND DECREASE OF THE GOLD AND FOREIGN EXCHANGE COVER

(in millions of R.M.)

A = Deviations of foreign exchange rates in Berlin from parity in percentages of parity.

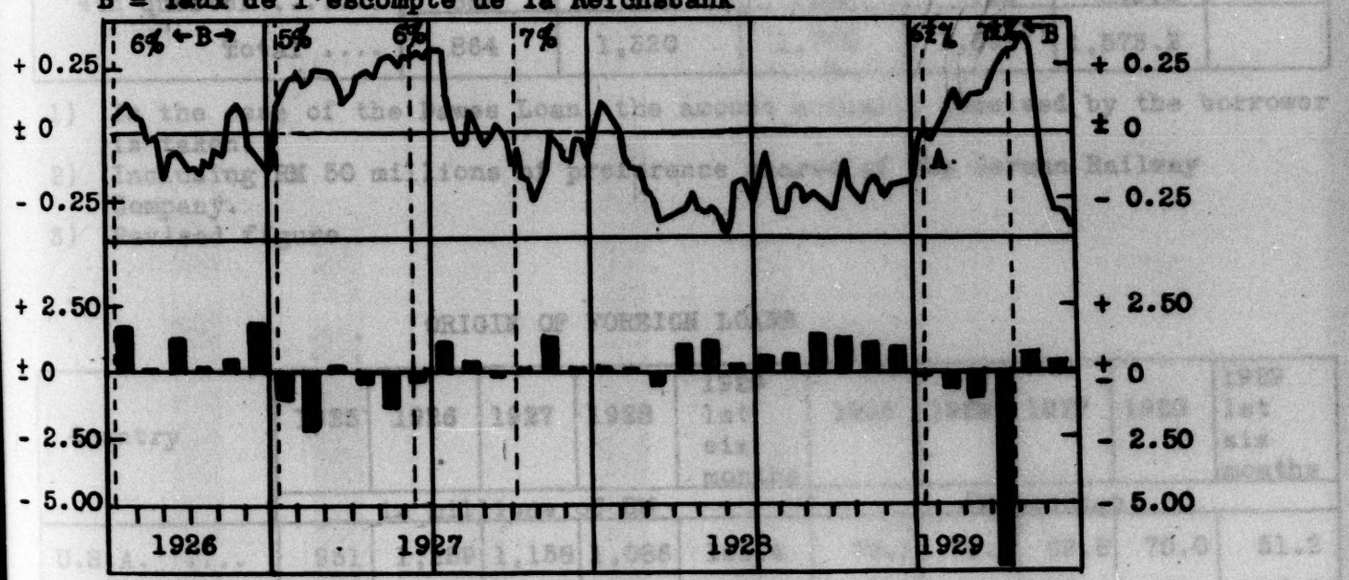
B = Reichsbank discount rate.

AUGMENTATION ET DIMINUTION DE LA COUVERTURE EN OR ET EN DEVISES

(en millions de reichsmarks)

A = Différence entre les cours des devises étrangères à Berlin et le pair (en % du pair)

B = Taux de l'escompte de la Reichsbank



Since the beginning of March there has been an almost entire cessation of the contracting of foreign loans. The difference is so enormous when a comparison is made with the corresponding period of the previous year that, unless a change takes place in the near future, domestic capital investments in plant are likely to feel the effects to a still greater extent than hitherto.

FOREIGN LOANS

	1924	1925	1926	1927	1928	1929
	in millions of RM according to nominal amount[1]					
1st quarter		231	393	91	361.6	236.7
2nd quarter		1	521[2]	180	742.1	78.4
3rd quarter		432	407	676	126.0	
4th quarter	864	656	449	712[3]	343.5	
Total	864	1,320	1,770	1,659[3]	1,573.2	

1) In the case of the Dawes Loan, the amount actually received by the borrower is taken.
2) Including RM 50 millions of preference shares of the German Railway Company.
3) Revised figure.

ORIGIN OF FOREIGN LOANS

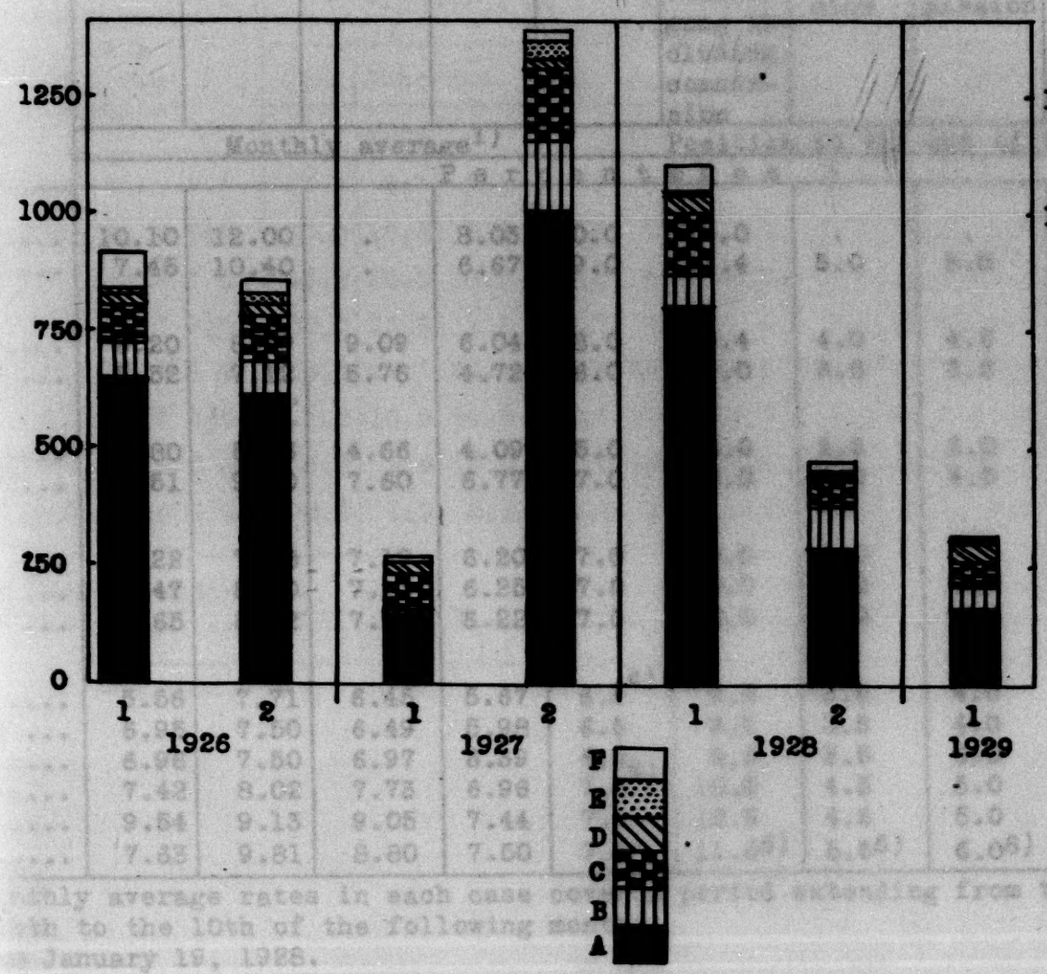
Country	1925	1926	1927	1928	1929 1st six months	1925	1926	1927	1928	1929 1st six months
	in millions of RM					Percentage				
U.S.A.	951	1,259	1,158	1,086	161.4	72.1	71.1	69.8	70.0	51.2
Great Britain	122	141	149	157	52.1	9.2	8.0	9.0	8.8	16.5
Netherlands .	153	186	231	193	50.9	11.6	10.5	13.9	12.3	16.2
Switzerland .	69	42	46	47	43.5	5.2	2.4	2.8	3.1	13.8
Sweden	25	36	43	9	2.1	1.9	2.0	2.6	0.6	0.7
Other foreign countries ..	-	106	32	81	5.1	-	6.0	1.9	5.2	1.6
Total ...	1,320	1,770	1,659	1,537	315.1	100.0	100.0	100.0	100.0	100.0

ORIGIN OF FOREIGN LOANS
(in millions of RM)

A = U.S.A. B = Great Britain C = Netherlands D = Switzerland
E = Sweden F = Other foreign countries

PROVENANCE DES CAPITAUX ÉTRANGERS
(en millions de reichsmarks)

A = États-Unis d'Amérique B = Angleterre C = Pays-Bas D = Suisse
E = Suède F = Autres pays étrangers



A direct result of the difficulty in obtaining capital was a very appreciable rise in interest rates, whereas at the beginning of the year there had been a slight fall in conjunction with a better supply of capital. The movement in the spread of interest rates, which we have given above, is proof of this. We shall first consider developments on the money market :

RATES OF INTEREST ON THE MONEY MARKET

DATE [1]	Debit Interest						Credit Interest			
	Day-to-day money	Month-to-month money for banks	Bills against goods for all customers	Bank acceptances	Reichsbank discount	Debit interest of the Stempelvereinigung including commission	Credit interest of the Stempelvereinigung: Day-to-day money, Free of commission	Day-to-day money, Subject to commission	14 days to one month, Free of commission	14 days to one month, Subject to commission
	Monthly average [1]					Position at the end of the month				
	Percentages									
25										
nuary	10.10	12.00	.	8.03	10.0	15.0	.	.	.	.
cember ...	7.45	10.40	.	6.67	9.0	13.4	5.0	5.0	7.0	7.0
26										
nuary	6.20	8.99	9.09	6.04	8.0	12.4	4.0	4.5	6.0	6.5
cember ...	5.52	7.12	5.76	4.72	6.0	9.0	3.0	3.5	4.5	4.5
27										
nuary	3.80	5.96	4.66	4.09	5.0	8.0	2.5	3.0	4.0	4.0
cember ...	6.51	9.00	7.60	6.77	7.0	10.0	4.0	4.5	6.0	6.0
28										
nuary	6.22	7.78	7.19	6.20	7.0	10.0	4.0	4.5	5.75 [2]	5.75 [2]
vember ...	7.47	8.50	7.11	6.25	7.0	10.0	4.0	4.5	5.75	5.75
cember ...	6.65	8.62	7.19	6.22	7.0	10.0	4.0	4.5	5.75	5.75
29										
nuary	5.56	7.71	6.45	5.67	6.5 [4]	9.5	3.5	4.0	5.0	5.0
bruary ...	6.95	7.50	6.49	5.98	6.5	9.5	3.5	4.0	5.0	5.0
rch	6.96	7.50	6.97	6.39	6.5	9.5	3.5	4.0	5.0	5.0
ril	7.42	8.02	7.73	6.96	7.5 [5]	10.5	4.5	5.0	6.0	6.0
.....	9.54	9.13	9.05	7.44	7.5	10.5	4.5	5.0	6.0	6.0
e [3]	7.63	9.81	8.80	7.50	7.5	11.5 [6]	5.5 [6]	6.0 [6]	7.0 [6]	7.0 [6]

[1] The monthly average rates in each case cover a period extending from the 11th of one month to the 10th of the following month.
[2] As from January 19, 1928.
[3] Provisional figures.
[4] As from January 12, 1929.
[5] As from April 25, 1929.
[6] As from June 1, 1929 to June 30, from that date all rates reduced by 1%.

The increased price of interest on capital can be traced in the following tables which give the minimum yield on fixed interest-bearing securities, together with the yield from shares and mortgages. In calculating the minimum yield on fixed interest-bearing securities, a proportion of the discount calculated on a basis of the last repayment date has been added to the annual interest yield, while a proportion of the premium calculated on a basis of the earliest repayment date has been deducted.

MINIMUM YIELD ON FIXED INTEREST-BEARING SECURITIES

Categories with a minimum yield of	represent at the middle of the month the following percentages of the whole											
	Jan.	June	Dec.	Jan.	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	1927			1928			1929					
less than 6 %	13.3	2.3	0.3	0.9	0.3	0.6	0.4	0.4	0.2	0.7	0.4	0.2
from 6 to 6½%	20.0	10.5	0.6	1.8	1.8	1.0	2.1	1.6	1.4	0.4	0.4	0.5
" 6½ " 7 %	25.2	20.5	10.7	10.0	5.2	2.6	2.3	1.4	0.9	1.5	1.3	1.4
" 7 " 7½%	23.0	25.2	7.6	9.7	8.7	7.9	9.9	10.3	9.8	8.9	7.0	5.2
" 7½ " 8 %	16.3	27.1	24.9	27.8	20.2	12.1	13.8	10.1	9.8	9.3	7.0	6.5
" 8 " 8½%	1.5	10.9	39.9	41.6	46.0	44.2	42.4	44.5	40.0	39.2	29.1	26.2
" 8½ " 9 %	0.7	1.6	12.9	7.0	16.6	24.4	25.0	27.4	29.0	28.5	31.5	38.0
more than 9 %	0.0	1.9	3.1	1.2	2.2	7.2	4.1	4.3	8.9	11.5	23.3	22.0
Average minimum yield ...	6.85	7.31	7.96	7.85	8.05	8.23	8.16	8.21	8.29	8.32	8.56	8.61

INTEREST ON MORTGAGES

(in percentages)

	1928	1929
January	9.88	10.26
February	9.89	10.26
March	9.83	10.20
April	10.15	10.29
May	10.16	10.32
June	10.13	10.43
July	10.15	
August	10.18	
September	10.20	
October	10.24	
November	10.26	
December	10.24	

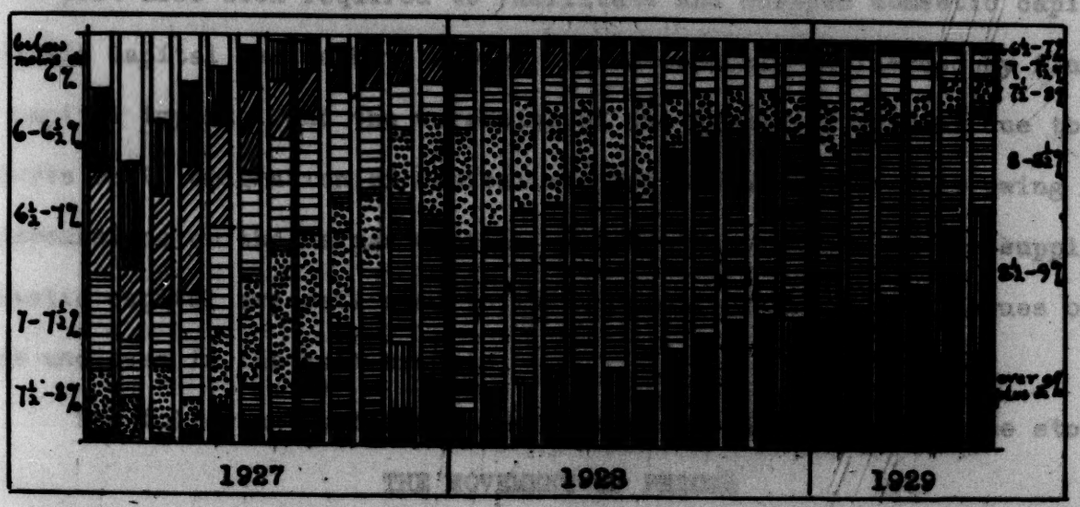
YIELD FROM SPOT DELIVERY SHARES ON THE BERLIN BOURSE*

Categories with a yield of	Categories with a yield represent the following percentages of the total market value		
	June 15, 1928	December 15, 1928	June 15, 1929
1 to 2 %	1.29	1.54	0.00
2 " 3 %	2.40	2.11	1.69
3 " 4 %	8.57	4.18	4.05
4 " 4½ %	4.99	1.52	4.24
4½ " 5 %	8.41	6.77	3.73
5 " 5½ %	14.68	7.19	5.15
5½ " 6 %	8.28	8.39	4.54
6 " 6½ %	18.67	13.68	10.37
6½ " 7 %	12.41	17.98	14.05
7 " 7½ %	6.38	12.34	12.35
7½ " 8 %	4.94	7.63	13.56
8 " 8½ %	1.63	3.89	6.18
8½ " 9 %	0.31	2.91	6.99
more than 9 %	0.54	2.80	6.79
" " 10 %	6.50	7.07	6.31

* Insurance companies are not included in the above figures.

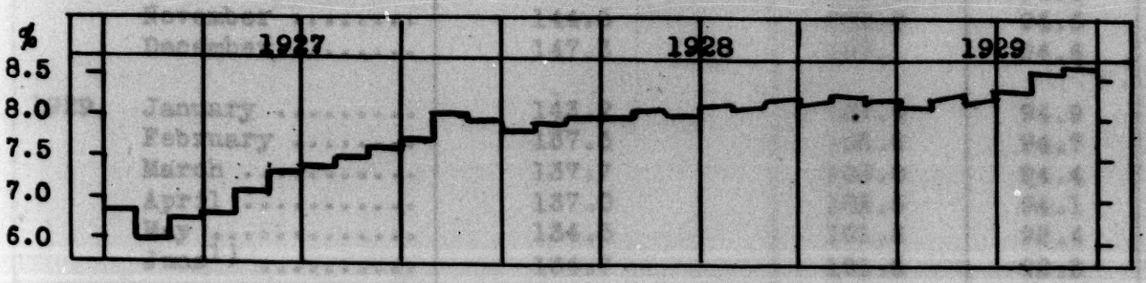
MINIMUM YIELD ON FIXED INTEREST BEARING SECURITIES

RENDEMENT MINIMUM DES VALEURS A INTÉRÊT FIXE



AVERAGE MINIMUM YIELD ON FIXED INTEREST BEARING SECURITIES

RENDEMENT MINIMUM MOYEN DES VALEURS A INTÉRÊT FIXE



The changed direction in the flow of capital does not merely imply a reduction in the amount of capital at Germany's disposal for investment in plant. The amount to be borrowed from abroad to cover requirements has for years past also been required to facilitate and cheapen domestic capital. Domestic capital issues have always been enormously influenced by fluctuations in capital imports, and the worsening of the supply of capital due to reduced imports or to emigration of capital was felt even more acutely owing to the repercussions on the German capital market. The effects on the supply of domestic capital are reflected in the movement of prices and issues of securities and even in the bank credits.

The following tables give some idea of the movement on the stock exchange.

THE MOVEMENT OF PRICES

		Share index of Reichs-Kredit-Gesellschaft 1925 = 100	Average prices		
			10%	8%	7%
			Gold Bonds based on figures published in Berliner Tageblatt		
1928,	January	146.8	104.6	97.5	92.0
	February	142.0	104.4	97.1	91.6
	March	139.4	104.1	96.4	90.4
	April	146.4	103.9	96.2	89.9
	May	153.8	103.7	96.0	89.4
	June	152.5	103.7	95.7	88.8
	July	145.4	103.7	95.6	88.3
	August	147.2	103.6	95.4	87.8
	September	148.1	103.3	95.1	87.4
	October	144.8	102.5	94.8	87.1
	November	144.5	102.8	94.6	87.0
	December	147.3	103.1	94.6	86.8
1929,	January	143.2	103.4	94.9	87.1
	February	137.5	103.4	94.7	86.8
	March	137.7	103.0	94.4	86.3
	April	137.0	102.5	94.1	85.6
	May	134.5	101.6	92.4	83.9
	June[1]	134.7	101.5	92.3	83.9

1) Provisional figures.

THE MOVEMENT OF PRICES

A = Share index of the Reichs-Kredit-Gesellschaft (January 2,1925 = 100)

B = 10 % C = 8 % D = 7 % gold bonds

(Based on figures published in the Berliner Tageblatt)

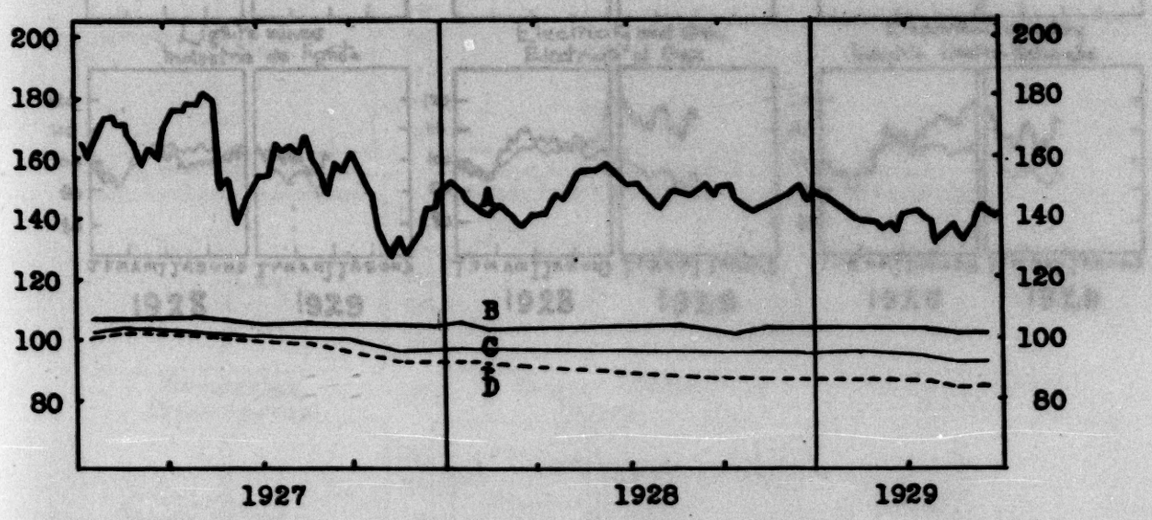
MOUVEMENT DES COURS

A = Indice des actions établi par la Reichs-Kredit-Gesellschaft (2 janvier 1925 = 100)

B = Obligations-or 10 % C = Obligations-or 8 %

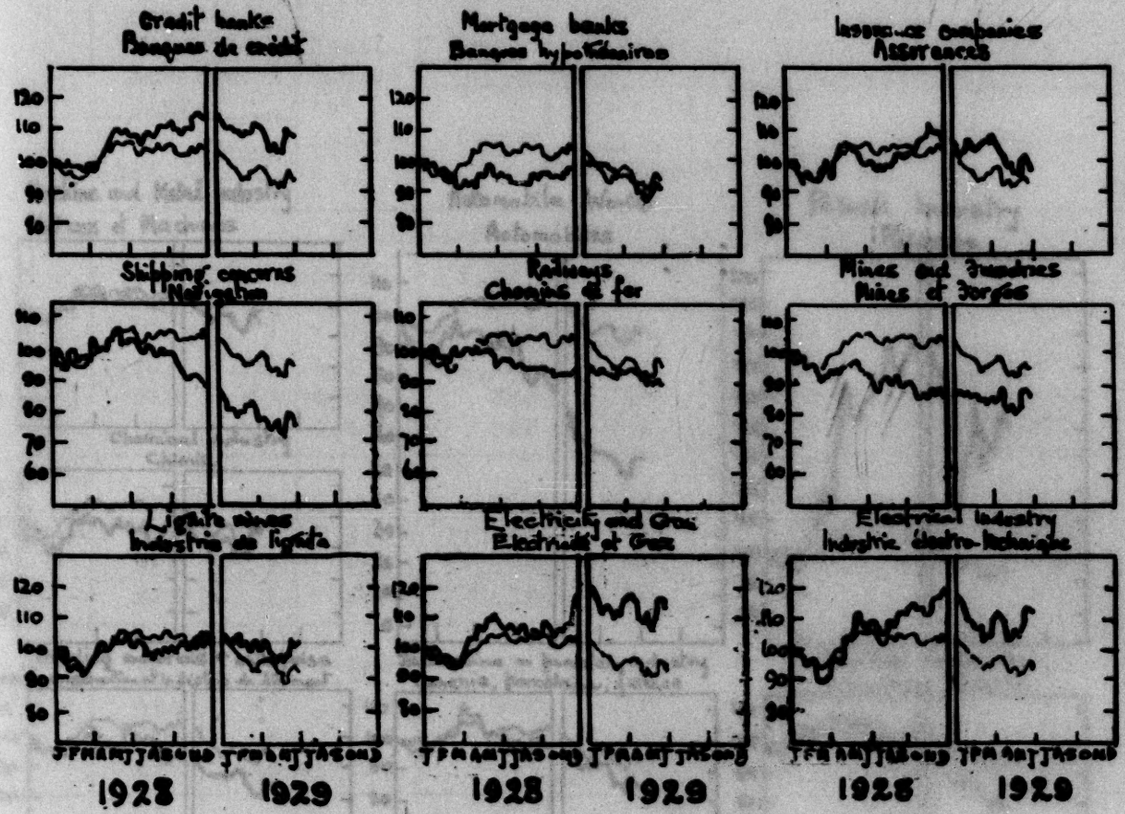
D = Obligations-or 7 %

(d'après le Berliner Tageblatt)



SHARE INDICES OF VARIOUS GROUPS OF INDUSTRY (1928-1929)
(January 4, 1928 = 100)
as compared with the general index (lighter line)

INDICES DES ACTIONS DE DIVERSES CATÉGORIES D'ENTREPRISES EN 1928-1929
(4 janvier 1928 = 100)
en comparaison avec l'indice global (ligne mince)



* These share indices are based on the group indices taken from the "Deutscher Volkswirt".

* Ces courbes se fondent sur les indices de groupes dressés par le "Deutscher Volkswirt".

SHARE INDICES OF VARIOUS GROUPS OF INDUSTRY (1928-1929)
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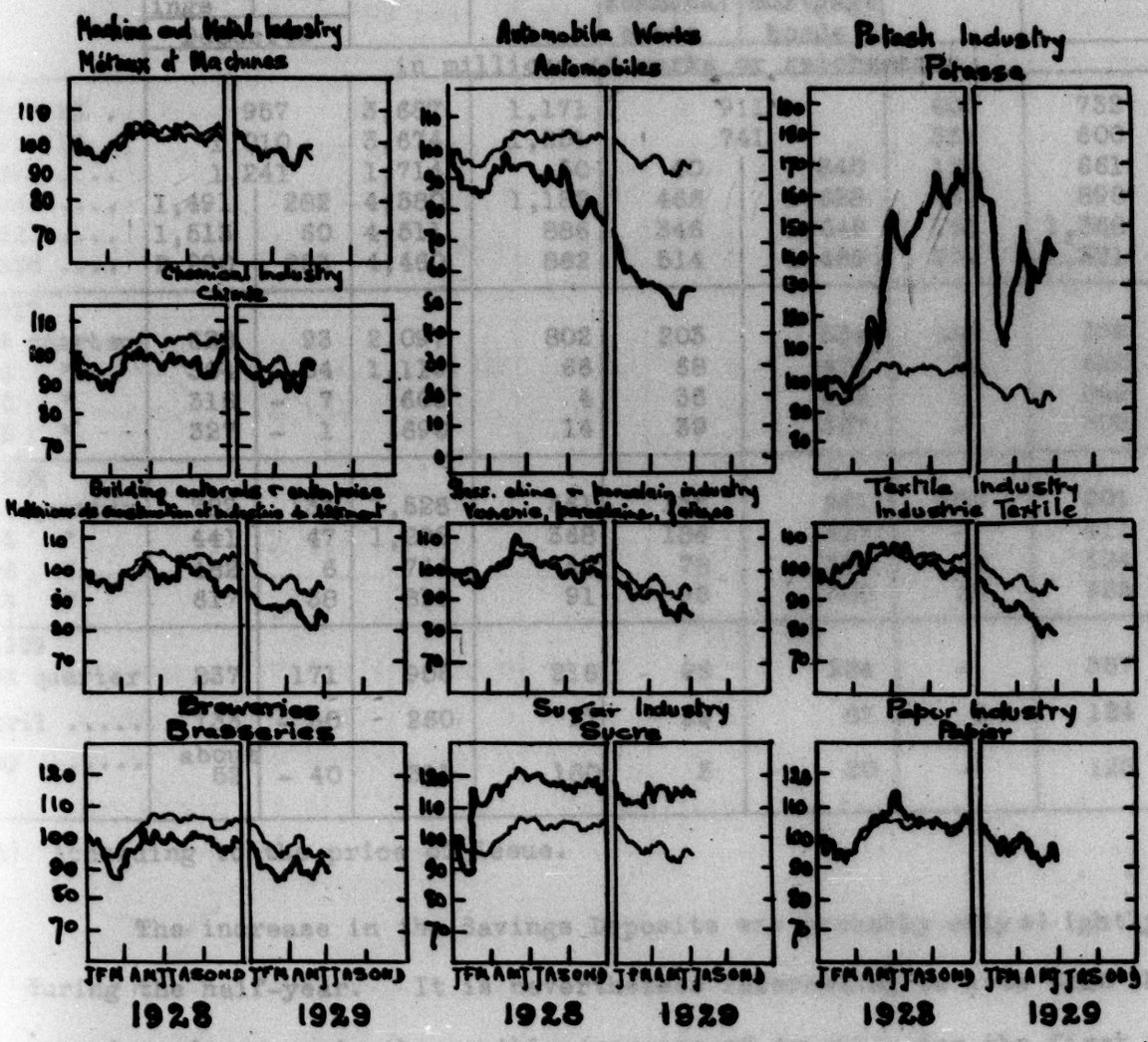

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Ces courbes se fondent sur les indices de groupes, dressés par le "Deutscher Volkswirt".

It may be assumed that issues of securities during the first six months of 1929 have fallen almost to half the average of the first six months of 1927 and 1928. The following table reveals the decrease in capital issues.

CAPITAL ISSUES

DATE	Influx of capital into the Savings Banks		Capital issues on the internal capital market						
			Total capital issues	German issues					Foreign issues
				Issues of public bodies			Issues of private enterprises		
	Savings Deposits	Giro		Loans	Increase in the circulation of communal bonds	Increase in the circulation of mortgage bonds	Loans	Shares 1)	
	in millions of marks or reichsmarks								
1907-13 .	957		3,687	1,171	911		400	732	473
1913/14 .	1,010		3,674	1,251	741		331	600	751
1925	1,241		1,714	50	40	840	113	661	10
1926	1,491	282	4,580	1,182	466	1,628	339	898	67
1927	1,513	60	4,511	886	346	1,649	161	1,368	101
1928	2,290	223	4,460	862	514	1,489	270	1,321	4
1927									
1st quarter	628	93	2,097	802	203	534	150	378	30
2nd "	304	- 54	1,119	66	68	476	10	432	67
3rd "	318	- 7	605	4	36	312	-	249	4
4th "	327	- 1	690	14	39	327	-	309	-
1928									
1st quarter	782	133	1,528	361	155	561	250	201	-
2nd "	441	47	1,292	368	186	327	-	411	-
3rd "	482	6	744	42	78	295	4	324	1
4th "	617	38	811	91	95	306	16	385	3
1929									
1st quarter	837	171	906	216	98	224	-	357	19
April	133	- 30	260	17	29	87	3	124	-
May	about 52	- 40	331	180	3	20	-	128	

1) According to the price of issue.

The increase in the Savings Deposits was probably only slightly less during the half-year. It is nevertheless interesting to note that this year records a decrease in the monthly increase of deposits for the first time since

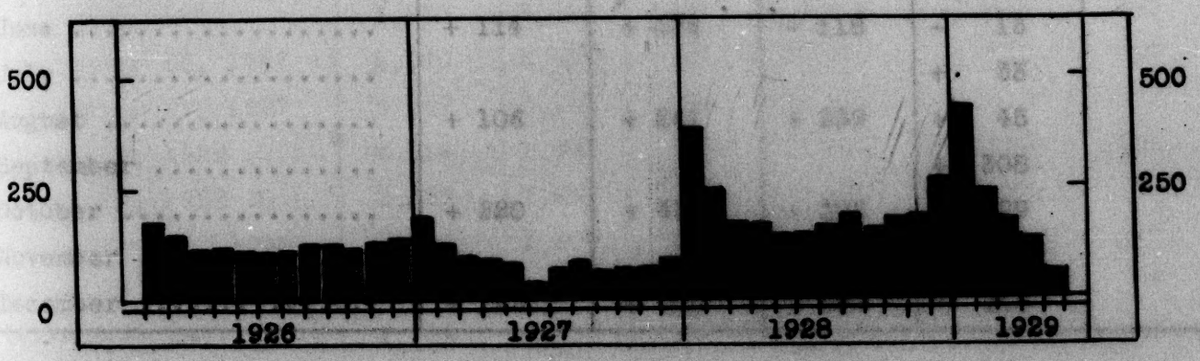
the stabilisation. The change occurred in April and was very pronounced in May. It was no doubt partially due to the conversion of German currency into foreign exchange which at that time assumed larger proportions.

GROWTH OF SAVINGS

	Deposits at end of period under report				Monthly increase			
	Total		Per capita		Total		Per capita	
	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts
	in millions of M. or RM respectively		in M. or RM respectively		in millions of M. or RM respectively		in M. or RM respectively	
1913	19,689		291.4		84.2		1.3	
1925	1,693.8	808.9	27.1	13.0	90.5	12.8	1.4	0.2
1926	3,184.9	1,090.7	50.7	17.4	124.3	23.5	2.0	0.4
1927	4,697.8	1,150.5	74.3	18.2	126.1	5.0	2.0	0.1
1928	6,988.2	1,374.0	109.7	21.6	190.9	18.6	3.0	0.3
1928 January .	5,044.2	1,218.3	79.4	19.2	377.2	66.7	5.6	1.0
February.	5,284.2	1,291.4	83.1	20.3	240.0	73.1	3.7	1.1
March ...	5,448.7	1,284.5	85.6	20.2	164.5	- 6.9	2.5	- 0.1
April ...	5,609.9	1,298.4	88.1	20.4	161.2	13.9	2.5	0.2
May	5,747.1	1,359.3	90.2	21.3	137.2	60.9	2.1	0.9
1929 January .	7,413.9	1,433.5	115.8	22.4	425.7	59.5	6.1	0.8
February.	7,652.4	1,520.5	119.6	23.8	238.5	87.0	3.8	1.4
March ...	7,825.2	1,485.9	122.3	23.2	173.0	- 34.6	2.7	- 0.6
April ...	7,958.5	1,450.5	124.4	22.7	133.2	- 30.4	2.1	- 0.5
May about	8,010.-	1,410.0	125.0	22.0	52.0	- 40.5	0.8	- 0.7

MONTHLY INCREASE IN SAVINGS DEPOSITS
(in millions of RM)

AUGMENTATION MENSUELLE DES DÉPÔTS D'ÉPARGNE
(en millions de reichsmarks)



The supply of capital in the form of Bank Credits has also suffered an interruption. The deposits (fremde Gelder) and loans of the German joint-stock banks have fallen, and this at a time of the year when the demand for bank credits begins to rise.

INCREASE IN DEPOSITS WITH TEN OF THE LEADING GERMAN BANKS

	1925	1926	1927	1928	1929
February	+ 392	+ 15	+ 376	+ 191	+ 230
March				+ 134	+ 202
April	+ 358	+ 9	+ 295	+ 275	- 366
May				+ 145	- 350
June	+ 114	+ 174	- 118	- 13	
July				+ 33	
August	+ 106	+ 261	+ 239	+ 45	
September				+ 308	
October	+ 220	+ 452	+ 326	+ 329	
November				+ 286	
December	+ 223	+ 503	+ 784	+ 210	

German capital became increasingly difficult to obtain and rose in price at a time when the market was still able to draw for a considerable amount on the credit reserves of the Reichsbank. The unusual extent of the calls made can be seen from the following table, and would be still more clear, had the proportion of German bills been shown under the Bills account. The possibility of calling upon the Reichsbank to such an extent no doubt helped to delay matters and to reduce friction. When this reserve was exhausted and the Reichsbank in self-defence first raised its discount rate and then refused to accept bills and introduced restrictive credit measures, the supply of domestic credit became steadily more difficult, until capital again flowed into Germany.

POSITION OF THE REICHSBANK

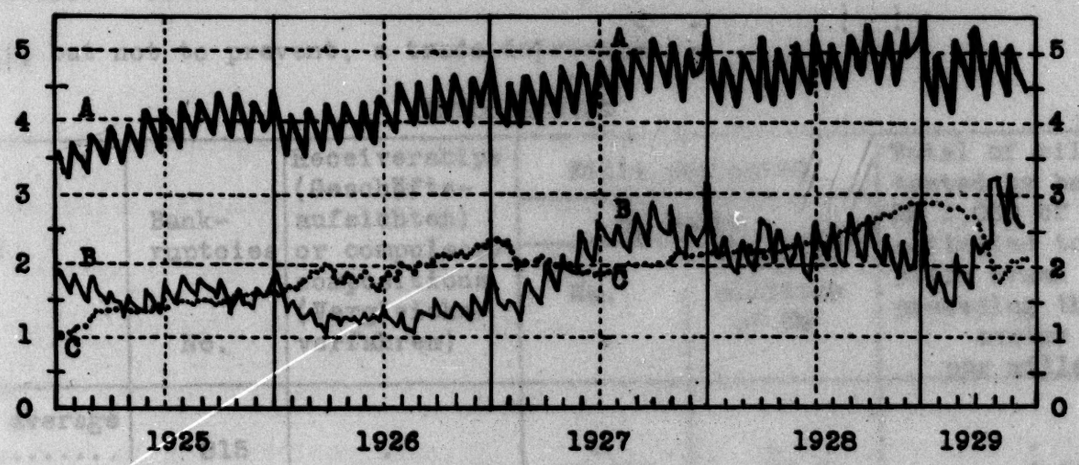
DATE	Gold and foreign exchange available as cover	Bills	Loans against collateral	Circulation of		Giro liabilities	Discount rate %
				Reichsbank notes	Rentenbank notes		
December 31, 1924	1,013	2,064	17	1,941	1,835	821	10.0
June 30, 1925 ...	1,416	1,691	46	2,474	1,672	564	9.0
December 31, 1925	1,611	1,915	10	2,960	1,476	697	9.0
June 30, 1926 ...	1,817	1,288	143	2,971	1,388	527	6.5
December 31, 1926	2,351	1,829	84	3,735	1,164	648	6.0
June 30, 1927 ...	1,870	2,495	147	3,815	1,017	669	6.0
December 23, 1927	2,140	2,417	44	4,046	710	567	7.0
December 31, 1927	2,147	3,129	78	4,564	716	779	7.0
June 15, 1928 ...	2,314	1,925	78	4,039	558	472	7.0
June 23, 1928 ...	2,307	1,861	27	3,907	541	513	7.0
December 31, 1928	2,884	2,627	176	4,930	530	816	7.0
January 31, 1929.	2,881	1,774	102	4,454	512	423	6.5
February 28, 1929	2,819	1,876	297	4,553	508	525	6.5
March 28, 1929 ..	2,719	2,296	135	4,822	504	478	6.5
April 7, 1929 ...	2,613	2,148	91	4,447	465	669	6.5
April 15, 1929 ..	2,454	2,121	121	4,145	456	670	6.5
April 21, 1929 ..	2,219	2,239	41	3,919	441	769	7.5
April 30, 1929 ..	1,991	2,796	262	4,631	489	585	7.5
May 7, 1929	1,820	2,783	209	4,442	456	585	7.5
May 15, 1929	1,821	2,508	217	4,167	449	649	7.5
May 23, 1929	1,911	2,403	97	4,006	435	642	7.5
May 31, 1929	2,064	2,860	255	4,606	491	628	7.5
June 7, 1929	2,073	2,759	113	4,373	457	632	7.5
June 15, 1929 ...	2,083	2,556	126	4,192	453	603	7.5
June 22, 1929 ...	2,095	2,427	93	4,069	436	579	7.5

POSITION OF THE REICHSBANK
(in milliards of RM)

A = Circulation of the Reichsbank and Rentenbank notes
B = Calls on the Bank in the form of bills and loans against collateral
C = Gold and foreign exchange cover.

DEVELOPPEMENT DES SITUATIONS DE LA REICHSBANK
(en milliards de reichsmarks)

A = Billets de la Reichsbank et billets de la Rentenbank
B = Traites et avances sur titres
C = Couverture en or et en devises.



The German economy has hitherto shown a remarkable power of resistance in the face of all the difficulties it has encountered in supplying itself with capital. The steady course of the insolvency curve at the present moment contrasts strikingly with the sudden upward jump in the number of cases of stoppage of payment during the second half of 1925. The improved operating of concerns, the consolidation of liabilities, better co-operation with foreign enterprise - all helped to strengthen the foundations on which the edifice of German's many-sided industry and trade is built. An increase in the number of insolvencies is nevertheless unmistakably evident. It has been possible to delay, but not to prevent, a trade depression.

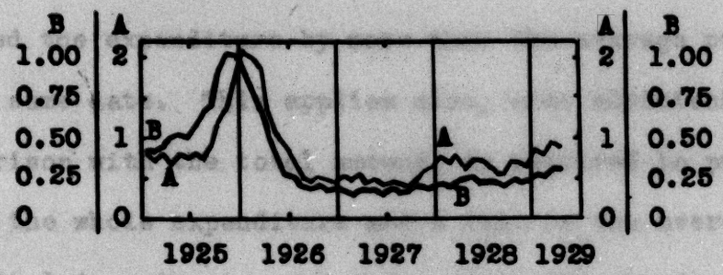
INSOLVENCIES

DATE	Bankruptcies No.	Receiverships (Geschäftsaufsichten) or compulsory compositions (Vergleichsverfahren)	Bills protested by banks No.	Bills protested by banks Total in millions of RM	Total of bills protested by banks per RM 1,000 of the estimated total for bills drawn in the preceding three months per mille
Monthly average					
1913	815	.	.	.	.
1925	932	492	15,120	23.6	6.36
1926	1,023	653	9,991	13.2	3.91
1927	472	109	4,607	6.0	1.71
1928	665	266	7,174	9.5	2.03
1928 January	766	191	6,604	8.9	2.11
February	699	226	6,558	8.4	2.00
March	791	266	7,356	9.4	2.19
April	614	239	7,248	10.6	2.35
May	692	275	7,572	10.3	2.60
June	702	293	7,532	9.8	2.10
1929 January	832	259	8,828	12.2	2.57
February	775	335	8,126	11.6	2.61
March	930	352	8,860	13.3	2.96
April	885	464	9,305	13.8	3.03
May	846	454	10,000	14.0	about 2.90

INSOLVENCIES

A = Number of bankruptcies in thousands

B = Total of protested bills in percentages of the total bills drawn in the preceding three months



The advantages which Germany can derive from capital imports, the forces which attract or repulse capital, and in general, the effects which this stream of capital has on the national economy are of a peculiar nature. Migrating capital, and even capital capable of migration is generally less than the capital formation of the debtor country, and still more often less than that of the creditor country. It is in any case insignificant when compared with the total capital investments of either country. It represents only surplus balances in the general turnover. By far the greater part of the capital absorbed in production or distribution is domestic and remains in the country. Because of its "surplus" nature, exported capital is often taken at more than its average value. Capital imports fulfil their purpose of satisfying capital requirements when the capital expenditure on plant effected with their help increases the capacity to compete on the world markets by more than the service of interest and sinking fund reduces the capacity. This is particularly the case when the existing capacity to produce is imperfectly or unprofitably utilised, or there are possibilities of quickly increasing the capacity. Taken as a whole, the expenditure of a country is comparatively

constant, whether it serves to maintain the standard of living or the apparatus of output and consumption, or to liquidate foreign indebtedness. The additional return obtained out of a better utilisation of existing forces or by seizing any opportunity which may arise to obtain a greater output, generally exceed the expenditure by more than the average profits of the country at the same date. This applies also, when additional expenditure, small in comparison with the total amount, is required to prevent a worse utilisation of the whole expenditure and a fall in the average profit. In such cases capital imports at a price exceeding the average profit and interest rates may be useful. It must however be borne in mind here that the transfer of interest and amortisation amounts may later exercise pressure on the export prices and therefore on the profits of the country. The fact that a high price has been paid for the surplus capital does not necessarily mean that average profits will be earned.

Capital imports are however often due not to expectations of big additional profits, but unfortunately to urgent need alone. The interest on the additional capital imported does not drive up the cost of the total capital expenditure to the same extent as it exceeds the average rate. That no loss is here visible is due to the fact that the total profits are drawn upon to cover the excessive individual expenditure.

Exported capital also is only surplus capital. The necessity to export often appears very slight in the eyes of the lender country. Capital is therefore only exported when it brings in a yield well above the average.

The interest which the borrower country has to pay for its capital imports will accordingly always be higher than that to be paid by the competitors in the lender country or in other countries not dependent on capital imports; in most cases it will be higher than its own average profitability.

An important exception from the general rule that exported capital produces a higher rate of interest than capital invested at home is to be found in connection with capital fleeing the country. This class of capital generally produces a yield below the average for the exporting country. Capital migration at the same time increases the shortage still further, and leads to increased capital imports at prices above the average or to exports of commodities at prices below the average, owing to forced sales. Flight of capital therefore doubly injures the exporting country, and the injury is all the greater in proportion to the importance for the country of procuring an adequate capital supply for its needs. A country which is short of capital must take all the measures likely to counteract the flight of capital and to remove its causes.

FOREIGN CAPITAL MARKETS

In view of the bearing which the satisfaction of her capital import requirements has on her whole internal capital supply, Germany is intensely alert to movements on the markets of the great capital-providing countries. The fact that migrating capital is surplus capital, representing the adjustment of payment balances, means that even such changes of tendency as are of insignificant importance for the exporting countries themselves may expose the capital supply of the borrowing country to serious fluctuations. In the last half year for example difficult conditions in New York and London played a considerable part in the deterioration in the German capital supply.

On the American capital market the position at the turn of the year shows no decisive change; but the tendency towards continued worsening of the position, which marked the whole of last year and the beginning of this, appears no longer to prevail. The moment of relief however is not yet come. The seasonal credit demands for the financing of the summer and autumn business have first at any rate to be met.

To understand the present position, it is necessary to examine the principal causes of the increased cost of credit. American capital exports in the shape of loans and short-term credits last year exceeded the normal limits of America's capacity to export capital. At the same time, a mass of European money, which had been held on deposit in the United States in preceding years and had appreciably helped to ease the position on the American market, was finding its way back to Europe. Capacity to export capital is limited generally speaking to the favourable balance of payments of a country, and the favourable balance of payments of the United States (according to the results of American research) is approximately equivalent to the favourable trade balance.

In the first half of last year the foreign capital issues alone exceeded the amount of the favourable trade balance of the United States, even allowing for foreign participation in the issues. In the second half of 1928 and in the first five months of 1929 - further figures are not available - the amount of foreign capital issues in America was continually diminished.. At the same time the favourable trade balance increased. The two quantities have now to a great extent counter-balanced one another.

FOREIGN LOANS AND THE CAPACITY TO EXPORT CAPITAL OF THE UNITED STATES.

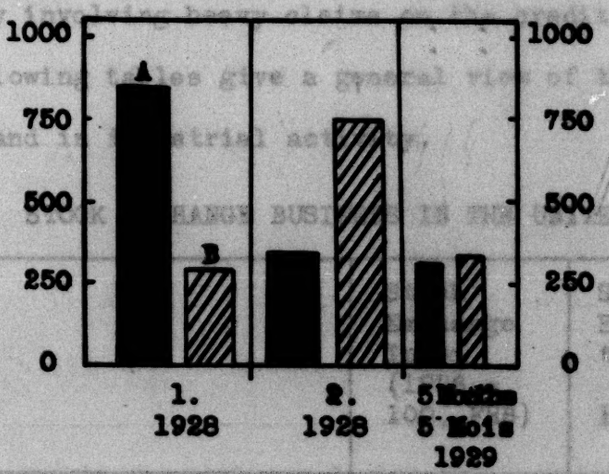
	Foreign loans (not including conversions)	Surplus of exports over imports (not including gold and silver)
	in millions of $	
1st six months of 1928	844.8	+ 292
2nd " " " 1928	344.2	+ 747
1st quarter of 1929	264.2	+ 298
April 1929	0.0	+ 39
May 1929	47.0	+ 7

THE CAPACITY TO EXPORT CAPITAL AND CAPITAL EXPORTS IN THE UNITED STATES
(in millions of $)

A = Foreign loans, B = Surplus of exports over imports

CAPACITÉ D'EXPORTATION DES CAPITAUX ET EXPORTATION DE CAPITAUX AUX ÉTATS UNIS D'AMÉRIQUE
(en millions de dollars)

A = Emprunts extérieurs, B = Excédent des exportations



The succession of capital issues was accompanied by an extensive cycle of short-term credits.

The same reasons that had led to the increase in capital exports, namely the decline in the interest level in 1927 and the expansion of credit, resulted in 1928 and at the beginning of 1929 in an extraordinary growth of Stock Exchange business and at the same time a very remarkable increase in capital investments in industrial plant, with a concomitant general increase of industrial activity involving heavy claims on the credit institutions of the country. The following tables give a general view of the increase in Stock Exchange business and in industrial activity.

STOCK EXCHANGE BUSINESS IN THE UNITED STATES

		Stock Exchange Index (1926 = 100, FRB)	Stock Exchange turnover (in 1000 sh.)	Stock Exchange credits (in millions of $)
1928	January	134.4	56,919	4,420
	December	172.9	92,837	6,440
1929	January	183.6	110,806	6,735
	February	186.8	77,662	6,679
	March	189.4	105,662	6,804
	April	186.6	82,600	6,775

HOME INVESTMENTS OF CAPITAL IN THE UNITED STATES

YEAR	Building activity		Index of production of the iron and steel industry	Uncompleted orders of United Steel products in millions of tons	Index of production of building materials industry	Index of goods transport
	Dwelling houses	Trade, Industry and public enterprise				
	Building contracts (in 36 States) in millions of $					
1927 Average 1st half year	218	108	111	3.45	109	107
Average 2nd half year	211	74	103	3.37	110	100
1928 Average 1st half year	255	78	115	4.14	111	103
Average 2nd half year	211	81	124	3.71	125	104
1928 Average 1st quarter	235	63	113	4.33	112	101
1929 1st quarter	155	68	125	4.22	126	105
April				4.43		

The loans to other countries at the close of the year 1927-28 could only therefore be financed, as the following table shows, by falling back on the country's stocks of gold. The result, in view of the close connection which exists - even in America - between the volume of credit and the holdings of gold, was to limit the expansion of credit at the very time when the demand for it at the banks was most heavy. The natural consequence was an increase in the interest level, which not only held up the export of capital but even attracted money from Europe. The American issue banks accelerated this development by the early introduction of a policy, which is still maintained, of restricting the market. The credit difficulties which resulted, particularly in the case of Stock Exchange loans, at the turn of the

spring of 1929 went so far that the rates for Stock Exchange money actually for a time were higher than the rates in Germany.

America has accordingly for some time past been importing capital to an amount which with her favourable balance of payments now exceeds her capital exports. The foreign exchanges are now again favourable for the United States. Gold is coming in once more.

MOVEMENTS OF GOLD AND OF FOREIGN EXCHANGE RATES IN THE UNITED STATES

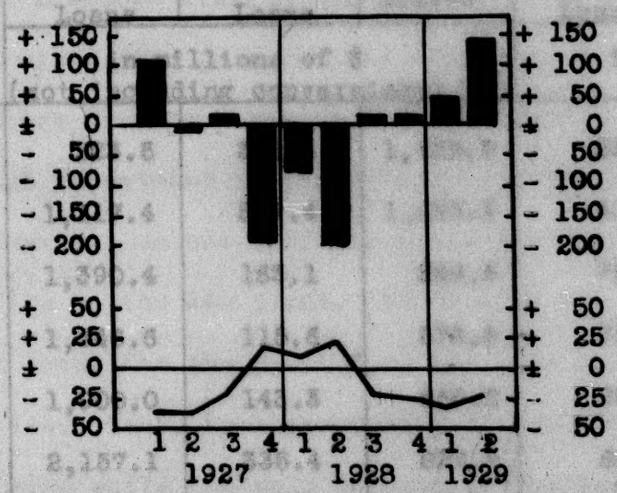
		Movement of gold	Foreign exchange rates in percentages of divergence from New York parity
1927	1st quarter	+ 104.7	- 0.38
	2nd "	- 9.4	- 0.37
	3rd "	+ 16.5	- 0.21
	4th "	- 191.5	+ 0.17
1928	1st quarter	- 74.8	+ 0.09
	2nd "	- 195.4	+ 0.22
	3rd "	+ 15.8	- 0.12
	4th "	+ 16.5	- 0.15
1929	1st quarter	+ 46.4	- 0.32
	April	+ 71.3	- 0.29
	May	+ 12.0	- 0.20
	June *	+ 60.0	- 0.19

* Provisional figures.

The industrial activity is at present still very great. Capital investments are mostly for the extension and expansion of plant. The increasing difficulties in the supply of capital however appear now to be restricting any further expansion. The value of the new building contracts concluded in 1929 is less than last year. The set-back is especially marked in the case of the construction of dwelling-houses which has suffered most from the position on the capital market. An illuminating indication of the peculiar character of the present situation in America is to be found in the respective figures of bond and share issues. The volume of shares, where speculative anticipations play a part, is proportionally once again as great as it was in 1919.

MOVEMENTS OF GOLD AND OF FOREIGN EXCHANGE RATES IN THE UNITED STATES.
Increase and decrease of the gold holdings in millions of $.

MOUVEMENT DE L'OR ET COURS DES DEVISES AUX ÉTATS-UNIS D'AMÉRIQUE
Augmentation et diminution de l'encaisse or en millions de dollars.



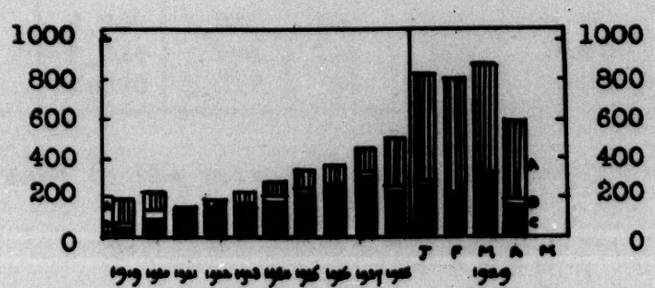
Foreign exchange rates in percentages of divergence from New York parity.
Différence entre les cours des devises étrangères à New-York et le pair (en % du pair).

CAPITAL ISSUES IN THE UNITED STATES

A = Shares
B = Short-term loans
C = Long-term loans

EMISSIONS AUX ÉTATS-UNIS D'AMÉRIQUE

A = Actions
B = Emprunts à court terme
C = Emprunts à long terme



ISSUES OF SECURITIES BY INDUSTRIAL AND TRADING COMPANIES IN THE UNITED STATES

(including Railways and Public Utility Companies)

DATE	Long-term Loans	Short-term Loans	Shares	Long-term Loans	Short-term Loans	Shares
	in millions of $ (not including conversions)			in percentage of total amount		
1919	523.5	324.4	1,455.5	22.7	14.1	63.2
1920	1,117.4	557.4	1,035.2	41.2	20.6	38.2
1921	1,390.4	163.1	269.5	76.3	8.9	14.8
1922	1,646.6	115.6	573.5	70.5	5.0	24.5
1923	1,900.0	143.3	659.2	70.3	5.3	24.4
1924	2,157.1	335.4	829.8	64.9	10.1	25.0
1925	2,592.2	297.1	1,211.4	63.2	7.2	29.6
1926	2,893.9	282.4	1,180.7	66.4	6.5	27.1
1927	3,612.1	269.2	1,494.2	67.2	5.0	27.8
1928	2,783.9	219.7	3,011.1	46.3	3.7	50.0
1929 January	265.3	10.8	551.6	32.1	1.3	66.6
February	203.1	20.0	591.8	24.2	2.5	72.6
March	313.9	7.4	554.9	35.8	0.8	63.4
April	160.1	29.5	402.1	27.1	5.0	67.9

The demand for Stock Exchange credits is scarcely any less. It is in part connected with the preference for financing business by the issue of shares. The connection according to American accounts is a vicious circle. The lavish Stock Exchange credits make it easier to place share issues, and the funds thus raised then go back into the money market, where they are again available for Stock Exchange credits. It is natural to suppose that with increased capital investment in producing plant these sums will be withdrawn from the money market, unless sufficient new money is brought into the market out of the profits on the new plant. If this is not the case, no reduction of the interest level for the present at any rate seems possible. On the other hand the issue banks by their policy of restricting the market, which they continued even while the gold imports were proceeding, have created such a credit reserve that they will be in a position to help the market on a considerable scale when the time comes to finance the seasonal credit demands of the summer and autumn.

RETURNS OF THE FEDERAL RESERVE BANKS

DATE	Gold holding	Bills discounted	Bills purchased	State loan	Federal Reserve notes in circulation	Total deposits	Ratio of the reserves to the deposits and Federal Reserve notes
1927 Dec. 29	2,739	609	386	603	1,813	2,473	66.8
1928 June 28	2,583	1,032	223	212	1,605	2,382	68.7
Dec. 27	2,584	1,668	489	232	1,911	2,455	61.6
1929 Mar. 28	2,709	1,024	208	170	1,653	2,383	71.3
May 30	2,824	988	118	145	1,654	2,331	74.5
June 27	2;896	1,017	83	150	1,659	2,420	75.3

An increase in the volume of loans to foreign countries is once again possible. The latest movement of interest rates may be seen from the following table.

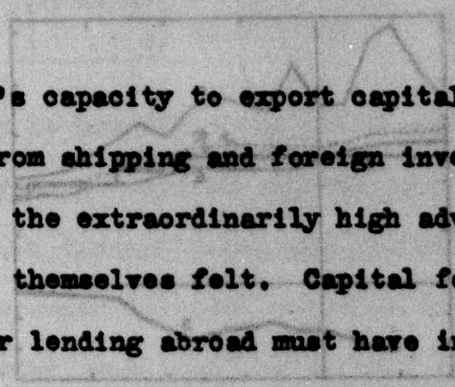
DEVELOPMENT OF INTEREST RATES IN NEW YORK

	1928		1929					
	Jan.	Dec.	Jan.	Feb.	March	April	May	June**
Day-to-day money	4.20	8.73	6.97	7.08	9.51	10.15	8.41	7.25
Bank acceptances	3.42	4.61	4.90	5.21	5.40	5.50	5.53	5.56
Commercial bills	3.87	5.37	5.39	5.53	5.83	5.87	5.91	6.00
Bank discounts	3.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Index of fixed interest-bearing securities *	99.35	96.24	96.12	95.60	94.82	94.58		

* 40-bonds-average.
** Until June 26.

see graph following page

DEVELOPMENT OF INTEREST RATES IN NEW YORK



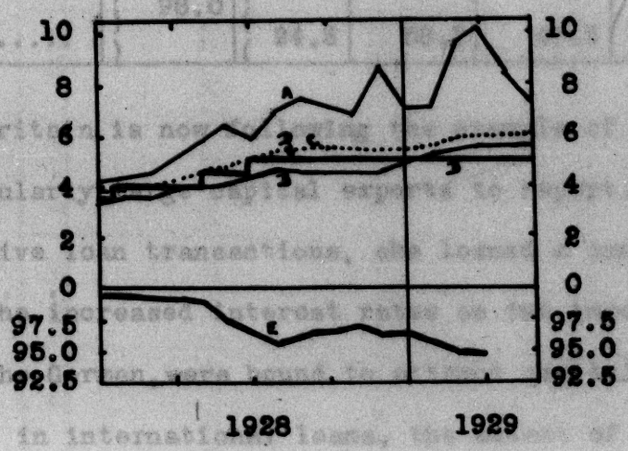
Great Britain's capacity to export capital is slowly improving. Increasing profits from shipping and foreign investments, combined with a gradual reduction in the extraordinarily high adverse trade balance of post-war years are making themselves felt. Capital formation as a whole and the capital available for lending abroad must have increased during the first six months as a pendant to improved industrial activity. Loan issues remained approximately at the same level as last year. London has been the most important market for foreign loans during the past six months.

DEVELOPMENT OF INTEREST RATES IN NEW YORK

A = Day-to-day money B = Bank acceptances
C = Commercial bills D = Bank discounts
E = Index of fixed interest-bearing securities

ÉVOLUTION DU TAUX DE L'INTÉRÊT A NEW-YORK

A = Argent à vue B = Acceptations des banques
C = Traites commerciales D = Taux officiel de l'escompte
E = Indice des valeurs à intérêt fixe



GREAT BRITAIN'S BALANCE OF PAYMENTS AND LOANS TO FOREIGN COUNTRIES

	1913	1925	1926	1927	1928	1928 Jan.-May	1929 Jan.-May
	in millions of £						
Favourable balance of British balance of payments	+ 181	+ 54	+ 9	+ 114	+ 149	.	.
including: Adverse balance of British trade balance	- 134	-396	- 466	- 388	- 353	- 251	- 245
Long-term loans to foreign countries.	197.6	99.5	122.0	153.0	158.9	68.1	69.4
of which there went to:							
British Possessions	99.6	69.2	57.5	98.2	81.5	48.1	41.3
Germany	98.0	6.0	6.3	7.3	7.8	3.2	0.3
Other foreign countries		24.3	58.2	47.5	69.6	23.1	27.8

Great Britain is now following the example of America in past years, and has particularly large capital exports to report. Side by side with just as extensive loan transactions, she loaned a considerable amount at short-term. The increased interest rates on two important markets, the American and the German, were bound to attract capital as eager as the British to be employed in international loans, the extent of which is revealed by the re-sale of large sums of gold which had flowed into the country during the first six months of the previous year.

As gold continued to be ceded during the early months of the present half-year, that is, at a time when British receipts in respect of foreign interest usually exceed the loans granted, the Bank of England raised its discount rate by 1 per cent in order to stem the export of capital. Since then the gold holdings and the total reserve have again risen. But the

amount of capital exported in addition to loan issues must still be appreciable. The foreign exchange rates have for some time remained below parity, contrary to custom and also to last year's experience.

MOVEMENTS OF THE POUND STERLING

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1928												
Dollar exchange in London in percentages of parity	100.19	100.18	100.29	100.33	100.32	100.30	99.96	99.75	99.69	99.67	99.68	99.70
1929												
Dollar exchange in London in percentages of parity	99.66	99.72	99.72	99.72	99.68	99.62*						
1928												
Seasonal index figure for the dollar exchange in London (1905 - 1913)	100.1	100.1	100.0	100.0	100.0	100.0	100.0	99.9	99.8	99.9	99.9	99.8

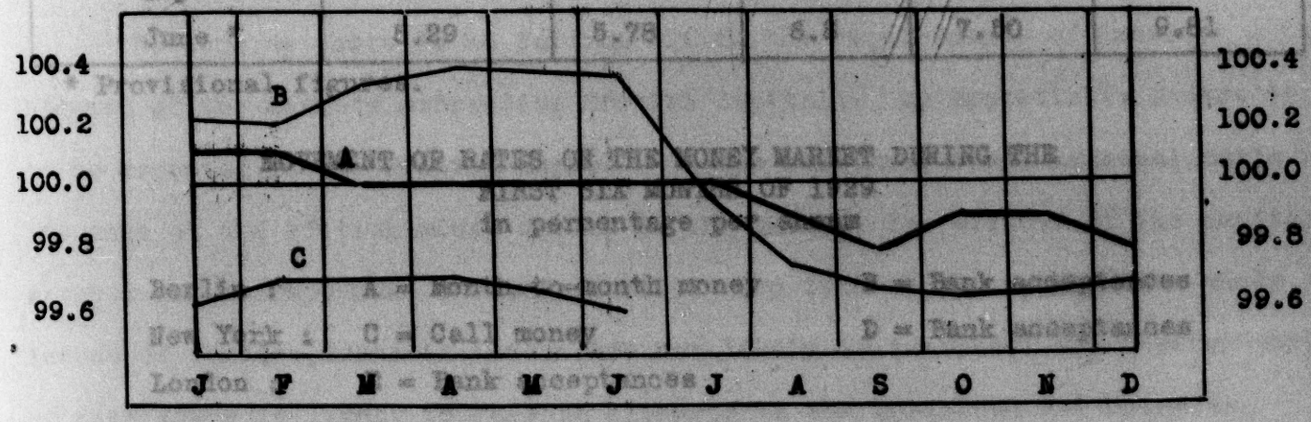
* Provisional figure.

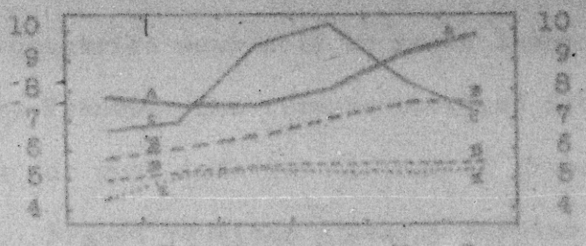
MOVEMENT OF THE POUND STERLING IN PERCENTAGE OF PARITY

A = Seasonal index figure for the dollar exchange in London (1905-1913);
B = Rate of the pound sterling 1928;
C = Rate of the pound sterling 1929.

EVOLUTION DU COURS DE LA LIVRE STERLING EN % DU PAIR

A = Indice saisonnier du cours du dollar à Londres (1905-1913);
B = Cours de la livre sterling 1928;
C = Cours de la livre sterling 1929.





A comparison of the rates for money on the New York, Berlin and British markets, as shown in the following table, reveals the great attraction which these markets still have for British capital.

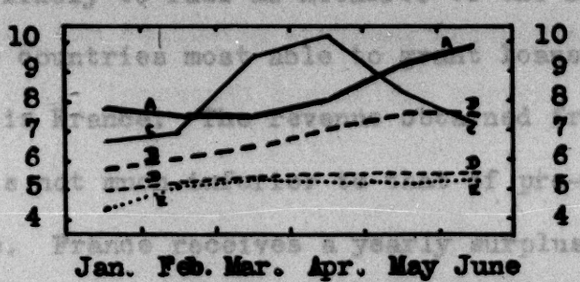
BRITISH, AMERICAN AND GERMAN MONEY RATES

DATE		London	New York		Berlin	
		Bank acceptances	Bank acceptances	Call money	Bank acceptances	Month-to-month money
		in %				
1929	January	4.31	4.90	6.63	5.67	7.71
	February	5.10	5.21	6.91	5.98	7.50
	March	5.32	5.40	9.51	6.39	7.50
	April	5.26	5.50	10.15	6.96	8.02
	May	5.20	5.53	8.41	7.44	9.13
	June *	5.29	5.78	6.8	7.50	9.81

* Provisional figures.

MOVEMENT OF RATES ON THE MONEY MARKET DURING THE FIRST SIX MONTHS OF 1929
in percentage per annum

Berlin : A = Month-to-month money B = Bank acceptances
New York : C = Call money D = Bank acceptances
London : E = Bank acceptances



The rise in interest rates on the money market has not infected the capital market; the yield from securities is only slightly higher.

YIELD FROM BRITISH FIXED INTEREST-BEARING SECURITIES

Categories with a yield of	represent the following percentages of the whole					
	Jan.	Feb.	March	April	May	June
	1929					
less than 4 %	16.4	15.1	5.4	6.7	8.1	8.1
from 4 % to 4½ %	1.4	-	2.7	1.4	2.7	2.7
" 4½ % " 5 %	19.2	23.3	17.6	18.9	17.6	17.6
" 5 % " 5½ %	26.0	26.0	36.4	35.1	32.4	35.1
" 5½ % " 6 %	20.6	23.3	24.3	23.0	25.7	21.6
" 6 % " 6½ %	4.1	4.1	5.4	6.7	5.4	5.4
" 6½ % " 7 %	8.2	4.1	4.1	4.1	2.7	2.7
more than 7 %	4.1	4.1	4.1	4.1	5.4	6.8
Average actual interest	5.20	5.17	5.36	5.35	5.32	5.35

So long as there is no falling off in the requirements of America - the biggest of the markets attracting British capital - no appreciable change is to be expected on the British market. If the customary fresh seasonal calls are made on the British money market in the autumn, the effects of the capital exports may perhaps make themselves still more felt on the market as a whole. Issues of foreign loans in London are not likely to increase; the greater part of such loans is likely to fall as hitherto to the Dominions and Colonies.

One of the countries most able to grant loans to foreign countries at the present time is France. The revenue obtained from foreign investments and tourist traffic is not much inferior to that of pre-war days, according to all French statistics. France receives a yearly surplus of some ½ milliard reichsmarks in respect of reparation payments and the interallied debts annuity. The adverse balance of her trade balance is still much less than all these sums, although it has risen considerably during the current half-year. As France has hitherto - apart from a few small exceptions - granted no loans to foreign countries, her gold and foreign exchange holdings have appreciably

increased. The Banque de France alone today possesses gold and foreign exchange to the amount of some RM 10.3 milliards, an amount five times in excess of that of the German Reichsbank and three times in excess of that of the Bank of England. This figure of RM 10.3 milliards is only RM 2 milliards less than that of the Federal Reserve Banks. The gold and foreign exchange holdings of the Banque de France are, when calculated per head of the population, twice as large as the total gold holdings of America (also calculated per head of the population) including gold coins, gold certificates and the other gold currency existing in the United States outside the Federal Reserve system.

RETURNS OF THE BANQUE DE FRANCE

DATE	Gold	Foreign exchange		Domestic bills	Note circulation
		Sight deposits abroad	Foreign bills		
	in millions of francs				
1928 June 25	28,935	15,985	10,561	2,955	58,772
Dec. 28	31,977	13,510	19,215	5,667	63,916
1929 May 31	36,596	7,513	18,503	6,660	63,486
June 14	36,616	7,440	18,531	6,295	63,141

As shown by the following figures, industrial activity has again, and very appreciably, increased during the current year.

1927	January	4.99
	December	2.95
1928	January	2.81
	December	3.37
1929	January	3.36
	February	3.37
	March	3.27
	April	3.39
	May	3.42
	June	3.41

FRANCE'S CAPITAL INVESTMENTS

DATE	Index of production 1913 = 100	Imports	Exports	Unemployment No. of unemployed in receipt of relief in 1,000 Monthly average	French internal capital issues Shares and bonds
		in millions of gold francs			in millions of gold francs
1927 Monthly average	109	895.7	934.0	about 39	125.2
1928 January	116	824.8	803.4	17.8	132.4
1928 December	134	1,042.6	946.6	0.9	294.2
1929 January	137	1,034.6	740.6	1.6	154.0
February	136	1,032.4	823.6	3.5	218.4
March	138	986.5	836.0	1.1	281.2
April		1,028.7	883.8	0.7	295.0

Industry has naturally made heavy calls on capital for the big capital investments in plant on which its activity is based, and will be making further calls during the course of the year. There is a rise in the number of bills which are being presented to the Banque de France.

But in spite of this the French money market has suffered no shortage. It has also hardly been affected by the rise in the interest rates of the American and British markets, and is today one of the cheapest in the world.

BANK ACCEPTANCES IN PARIS

1927	January	4.99
	December	2.95
1928	January	2.81
	December	3.37
1929	January	3.36
	February	3.37
	March	3.37
	April	3.39
	May	3.42
	June	3.41

Interest on long-term investments still shows a tendency to fall.

YIELD[1] OF FRENCH FIXED INTEREST-BEARING SECURITIES

Categories with a yield[1] of:	represent the following percentages of the whole									
	April	May	June	Nov.	January	February	March	April	May	June
	1928				1929					
less than 4%	3.0	2.9	5.4	3.2	4.4	4.8	4.1	3.2	3.8	3.8
from 4 - 4½%	3.8	3.7	3.2	4.0	3.0	3.7	3.9	3.9	5.6	6.8
" 4½ - 5%	4.4	5.6	8.8	13.0	14.9	13.8	11.9	13.5	19.3	19.5
" 5 - 5½%	8.8	12.0	12.8	16.5	15.6	18.7	17.7	18.3	13.3	14.8
" 5½ - 6%	14.3	14.2	18.4	20.3	18.4	16.8	17.2	20.4	26.8	29.8
" 6 - 6½%	33.0	35.9	35.3	33.7	29.9	30.9	28.7	31.1	23.8	19.5
" 6½ - 7%	27.7	20.6	14.2	7.3	11.0	8.8	13.8	6.4	5.4	4.9
more than 7%	5.0	5.1	1.9	2.0	2.8	2.5	2.7	3.2	2.0	0.9
Average actual interest	6.04	5.98	5.79	5.67	5.69	5.64	5.72	5.67	5.53	5.46

1) i.e. effective yield.

At the moment, and probably for some time to come, the French capital market is the best equipped to loan capital abroad, although it naturally ranks behind the American in size. It is possible that the German mobilisation loans contemplated under the new Reparation settlement may to a great extent be issued on the French Market, and stimulate still further France's exports of capital. The proceeds from the mobilisation of the German bonds fall as it is almost entirely to France.

A consideration of the position of the capital markets in the three most important lender countries, leads to the conclusion that - for the time being - no appreciable change, particularly as regards a rise in capital exports and a fall in interest rates, is to be expected unless France modifies her policy of locking up capital.

PROSPECTS.

With the help of foreign capital Germany during the last few years has improved her machinery of production and of consumption, and has carried her reparation burdens. But in the first half of 1929 the stream of capital ceased to flow in the direction of Germany. The result has been reduced sales in Germany and increased market possibilities in other countries. Germany has her share in the increased investments in plant of other countries in proportion as she has herself become capable of competing on the world market. The improvements in exploitation and the cultivation of foreign connections, to which she has directed her attention in recent years, have enabled certain groups of German industries to compete on the world market. But the progress made is not enough: the tarifary and other restrictions are still too high for Germany to be able to make up to any adequate extent on foreign markets what she has lost on her own. This is shown by the developments of the last year and a half.

It is natural to suppose that the distinct stiffening in the terms on which capital was to be borrowed in the second quarter of the current year (in which respect there has been up to the present only a slight improvement) will be followed by a further decline of domestic capital investments in plant with a corresponding decline of industrial activity. Only increase of exports at a more rapid rate than hitherto is capable of arresting such decline. If more rapid increase of exports is not possible, the exploitation capacity of the German economy, and with it the income and the formation of capital of the German people are bound to be diminished.

To diminish the demand for capital by reducing investments in plant and curtailing industrial activity accordingly can only temporarily relieve the tension, in view of the vast latent requirements of the country. It merely postpones the satisfaction of the country's need: but the need is still there.

The import of capital and the consequent improvement in the capital supply as a whole on the one hand and the extension of German sales in foreign countries on the other hand - these are the problems, on the satisfactory solution of which Germany's economic development at the present time chiefly depends.

The conditions precedent to such a solution include the restoration of the unrestricted equality of Germany in the economic and political life of the world, the elimination of all measures still dating from the war or post-war period which directly or indirectly operate to Germany's prejudice, and the consolidation and assurance of peaceful development in all countries. But these are also the conditions precedent to all fruitful economic co-operation throughout the world.

REPARATION BALANCE SHEET

1. Receipts and Payments according to their origin and utilisation.

Receipts (in million RM)	First Annuity Year, September to August	Second Annuity Year, September to August	Third Annuity Year, September to August	Fourth Annuity Year, September to August	9 months of the 5th Annuity Year 1928/29	
	1924/25	1925/26	1926/27	1927/28	Total	Monthly average
Budgetary contribution	-	250.00	410.00	500.00	937.50	104.17
Transport tax	-	241.80	1) 278.09	3) 285.83	5) 217.50	24.17
Interest on the German Railway Bonds	200.00	550.00	2) 540.00	4) 660.00	6) 495.00	55.00
Interest on the Industrial Debentures	-	125.00	250.00	300.00	150.00	16.67
Receipts from the Dawes Loan	800.00	-	-	-	-	-
Differences in exchange and interest received	0.46	3.00	2.76	4.56	7.02	0.78
Less interest credited to the German Rly	-	- 7.41	- 6.48	- 7.09	6.44	0.72
Total receipts	1,000.46	1,162.39	1,474.37	1,743.30	1,800.58	200.03
Brought forward	-	107.01	93.63	185.49	189.49	
TOTAL	1,000.46	1,269.40	1,568.00	1,928.79	1,990.07	
Payments (in million RM)						
1. In foreign currency	271.15	419.48	681.78	943.24	977.83	108.65
Service of the Loan (cash transfers)	77.53	97.20	91.32	90.49	65.14	7.24
Reparation Recovery Acts	180.26	243.08	290.12	350.99	297.88	33.10
Treaty deliveries	-	5.00	40.20	30.16	32.42	3.60
Cash transfers	-	65.00	255.11	460.41	578.76	64.30
Costs of Inter-allied Commission	13.36	9.20	5.03	3.68	3.23	0.36
Other payments	-	-	-	7.51	0.40	0.05
2. In German currency	622.30	756.29	700.74	796.06	701.73	77.97
Deliveries in kind	420.22	655.90	617.00	724.54	664.37	73.82
Costs of Occupation	187.42	86.19	73.52	65.68	32.16	3.57
Costs of Inter-allied Commission	13.36	9.20	5.04	4.60	4.23	0.47
Other payments	1.30	5.00	5.18	1.24	0.96	0.11
Total payments	893.45	1,175.77	1,382.52	1,739.30	1,679.56	186.62
Cash surplus	107.01	93.63	185.48	189.49	310.51	
TOTAL	1,000.46	1,269.40	1,568.00	1,928.79	1,990.07	

1) Of which 8.09 and 2) 45.00 million RM were in completion of the Second Annuity.
3) Of which 20.00 and 4) 55.00 million RM were in completion of the Third Annuity.
5) Of which 24.17 and 6) 55.00 million RM were in completion of the Fourth Annuity.

2. Distribution of Reparation payments among the different countries

a) in millions of RM

	Monthly average				
	September to August				Sept. to May
	1924/25	1925/26	1926/27	1927/28	1928/29
France	33.05	47.14	53.19	71.88	93.30
Great Britain ...	15.82	18.89	25.21	30.59	42.02
Italy	5.03	6.42	7.73	9.96	13.48
Belgium	7.79	9.70	5.72	9.05	9.71
Jugo-Slavia	2.52	3.18	3.86	4.88	7.27
U.S.A.	-	1.24	8.23	7.10	7.79
Rumania	0.62	0.75	0.89	1.28	1.95
Japan	0.32	0.24	0.84	0.76	1.18
Portugal	0.39	0.52	0.68	0.84	1.20
Greece	0.22	0.26	0.35	0.36	0.59
Service of Loan .	6.46	8.10	7.61	7.54	7.24
Other payments (incl. costs of Control)	2.24	1.55	0.90	0.70	0.88
TOTAL	74.46	97.99	115.21	144.94	186.62

b) in percentages of total amount

	September 1924 to Aug. 1925	September 1925 to Aug. 1926	September 1926 to Aug. 1927	September 1927 to Aug. 1928	September 1928 to May 1929
France	44.39	48.11	46.17	49.59	50.00
Great Britain ...	21.25	19.28	21.88	21.11	22.52
Italy	6.76	6.55	6.71	6.87	7.22
Belgium	10.46	9.90	4.96	6.24	5.21
Jugo-Slavia	3.37	3.35	3.35	3.37	3.89
U.S.A.	-	1.26	7.14	4.90	4.18
Rumania	0.83	0.76	0.77	0.88	1.04
Japan	0.43	0.24	0.73	0.52	0.63
Portugal	0.52	0.53	0.59	0.58	0.64
Greece	0.30	0.27	0.31	0.25	0.32
Service of Loan .	8.68	8.27	6.61	5.20	3.88
Other payments (incl. costs of Control)	3.01	1.58	0.78	0.49	0.47
TOTAL	100.00	100.00	100.00	100.00	100.00

I.I.9.4140 DOC. 317

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 24, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT JUNE 30, 1929

(cf. DOC. 315)

The following is a translation of the balance sheet of the Rentenbank as at June 30, 1929, as published in the Reichsanzeiger No. 163 of July 16, 1929.

	May 31, 1929	June 30, 1929
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.5.29 Rt.M. 899,844,000 as on 30.6.29 Rt.M. 899,844,000		
Loan to the Reich	615,638,079.12	605,148,589.83
Outstanding claim (Rentenbank-Kreditanstalt)	14,623,417.45	14,331,622.90
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	34,628,116.08	35,010,827.37
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	25,092,746.82	2,559,424.11

LIABILITIES	May 31, 1929	June 30, 1929
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	497,877,406.--	464,827,594.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,835,632.22	6,862,632.22
Miscellaneous liabilities	500,804.80	501,702.17

Under § 7 a of the Law on the liquidation of Rentenbank notes a further RM 10,489,489.29 derived from interest payments by owners of land subject to the charge was paid into the sinking fund at the Reichsbank, the loan to the Reich and the circulation of Rentenbank notes being correspondingly reduced. In addition, Rentenbank notes were withdrawn from circulation for the RM 22,560,322.88 available in the sinking fund according to the May returns.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been amortised:

Rt.M.	312,183,037.71	under	§	7	a	of the Law
	270,000,000.--	"	§	7	b	" " "
	82,750,870.75	"	§	7	c	" " "
	880,334,583.--	"	§	11		" " "

Total Rt.M. 1,545,268,491.46.

Transl. 7225

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 29, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT JULY 31, 1929.

(cf. DOC. 317)

The following is a translation of the balance sheet of the Rentenbank as at July 31, 1929, as published in the Reichsanzeiger No. 199 of August 27, 1929.

	June 30, 1929	July 31, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 30.6.29 Rt.M. 899,844,000 as on 31.7.29 Rt.M. 899,844,000		
Loan to the Reich	605,148,589.83	582,967,534.20
Outstanding claim (Rentenbank-Kreditanstalt)	14,331,622.90	14,336,622.90
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,010,827.37	35,145,515.09
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,559,424.11	2,532,423.74

LIABILITIES	June 30, 1929	July 31, 1929
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	464,827,594.--	442,646,538.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,862,632.22	6,862,632.22
Miscellaneous liabilities	501,702.17	502,446.90

Under § 7a of the Law on the liquidation of Rentenbank notes a further Rt.M. 7,181,055.63 derived from interest payments by owners of land subject to the charge and under § 7b the Rt.M. 15,000,000 due on July 1 were paid into the sinking fund at the Reichsbank, the loan to the Reich and the circulation of Rentenbank notes being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been amortised:

Rt.M.	319,364,093.34	under	§	7a	of	the Law
	285,000,000.--	"	§	7b	"	" "
	82,750,870.75	"	§	7c	"	" "
	880,334,583.--	"	§	11	"	" "
Total Rt.M.	1,567,449,547.09					

Transl. 7372
DR.

I.I.9.4140 DOC. 319

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 20, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT AUGUST 31, 1929.

(cf. DOC. 318)

The following is a translation of the balance sheet of the Rentenbank as at August 31, 1929, as published in the Reichsanzeiger No. 218 of September 18, 1929.

	July 31, 1929	August 31, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.7.29 Rt.M. 899,844,000 as on 31.8.29 Rt.M. 899,844,000		
Loan to the Reich	582,967,534.20	580,752,989.09
Outstanding claim (Rentenbank-Kreditanstalt)	14,336,622.90	14,341,568.--
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,145,515.09	35,218,649.83
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,532,423.74	2,532,423.85

LIABILITIES	July 31, 1929	August 31, 1929
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	442,646,538.--	440,431,993.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,862,632.22	6,861,432.22
Miscellaneous liabilities	502,446.90	501,375.10

Under § 7a of the Law for the liquidation of Rentenbank notes a further Rt.M. 2,214,545.11 derived from interest payments by the owners of land subject to the charge were paid into the sinking fund at the Reichsbank, the loan to the Reich and the circulation of Rentenbank notes being correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been amortised :

Rentenmarks	321,578,638.45	under § 7a	of the Law
"	285,000,000.--	" § 7b	" " "
"	82,750,870.75	" § 7c	" " "
"	880,334,583.--	" § 11	" " "
Total Rentenmarks	1,569,664,092.20		

Transl. 7373.
DR.

DOC. 320

I.I.9. 4140

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 21, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT SEPTEMBER 1929

(cf. DOC. 319)

The following is a translation of the balance sheet of the Rentenbank as at September 1929, as published in the Reichsanzeiger No. 242 of October 16, 1929.

	August 31, 1929	September 30,1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.8.29 Rt.M. 899,844,000 as on 30.9.29 Rt.M. 899,844,000		
Loan to the Reich	580,752,989.09	579,078,375.65
Outstanding claim (Rentenbank-Kreditanstalt)	14,341,568.--	14,115,393.--
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,218,649.83	35,658,526.13
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,532,423.85	2,554,424.29

	August 31, 1929	September 30,1929
LIABILITIES		
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	440,431,993.--	438,757,380.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank(§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,861,432.22	6,885,320.82
Miscellaneous liabilities	501,375.10	501,050.10

Under § 7a of the Law for the liquidation of Rentenbank notes a further Rt.M. 1,674,613.44 derived from interest payments by the owners of the land subject to the charge have been paid into the sinking fund of the Reichsbank, and the loan to the Reich and the volume of Rentenbank notes in circulation have been correspondingly reduced.

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been redeemed :

	Rentenmarks	323,253,251.89	under	§ 7a	of	the	Law
	"	285,000,000.--	"	§ 7b	"	"	"
	"	82,750,870.75	"	§ 7c	"	"	"
	"	880,334,583.--	"	§ 11	"	"	"
Total	"	1,571,338,705.64					

The following is a translation of the balance sheet of the Rentenbank as at October 31, 1929, as published in the Reichsanzeiger No. 267 of November 14, 1929.

	September 30, 1929	October 31, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 30.9.29 Rt.M. 899,844,000 as on 31.10.29 Rt.M. 899,844,000		
Loan to the Reich	579,078,376.65	561,378,883.14
Outstanding claim (Rentenbank-Kreditanstalt)	14,115,393.--	14,678,425.--
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,668,526.13	38,891,007.78
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,554,424.29	2,532,423.80

Transl. 7491.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 17, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT OCTOBER 31, 1929.

(cf. DOC. 320)

The following is a translation of the balance sheet of the Rentenbank as at October 31, 1929, as published in the Reichsanzeiger No. 267 of November 14, 1929.

	September 30, 1929	October 31, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 30.9.29 Rt.M. 899,844,000 as on 31.10.29 Rt.M. 899,844,000		
Loan to the Reich	579,078,375.65	561,576,283.14
Outstanding claim (Rentenbank-Kreditanstalt)	14,115,393.--	14,072,493.--
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,658,526.13	35,591,007.76
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,554,424.29	2,532,423.80

	September 30, 1929	October 31, 1929
LIABILITIES		
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	438,757,380.--	421,255,287.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law in the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,885,320.82	6,885,320.82
Miscellaneous liabilities	501,050.10	500,669.70

The sinking fund of the Reichsbank has received Rt.M. 2,502,092.51 derived from interest payments by the owners of the land subject to the charge in accordance with § 7a of the Law for the liquidation of Rentenbank notes, together with Rt.M. 15,000,000 due on October 1 in accordance with § 7b of the said Law, and the loan to the Reich and the volume of Rentenbank notes in circulation have been correspondingly reduced.

Since the coming into force of the Law on the lquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been redeemed:

Rentenmarks	325,755,344.40	under	§ 7a of the Law
"	300,000,000.--	"	§ 7b " " "
"	82,750,870.75	"	§ 7c " " "
"	880,334,583.--	"	§ 11 " " "
Total: "	1,588,840,798.15		

Transl. 7545.
DLC.

I.I.9.50 DOC. 322

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 7, 1929.

RECOVERY OR DECLINE ?

ECONOMIC AND FINANCIAL REFORM IN GERMANY 1929

Publications of the Federation of German Industry (No. 49. December 1929)

A Memorandum by the Presidential Board of the Federation of German Industry.

This memorandum, which was made public on December 2, 1929, represents a basis of discussion for the extraordinary meeting of members of the Federation of German Industry on December 12, 1929.

Beginning with observations as to the gravity of the position, the memorandum then gives a conspectus of the proposals of the Presidential Board in the form of general principles. In subsequent chapters the application of these principles is considered in detail.

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ANNEX: Directives for the changes to be made in the legal position with regard to the budget.

I. THE GRAVITY OF THE POSITION.

1. In December 1925 the Federation of German Industry presented a memorandum with the title "Deutsche Wirtschafts- und Finanzpolitik", which contained detailed proposals with regard to the general financial and economic policy of Germany. These proposals have since been frequently repeated; and they were supplemented at the meetings of the members of the Federation in Dresden in 1926 and in Frankfort-on-Main in 1927. In December 1927 the Federation in conjunction with the central associations of German banking, handicrafts and commerce published a manifesto on the financial position, in which the execution of an emergency programme was urged with the object of appreciably reducing public expenditure. In September 1928 the Federation at a meeting of its central committee once more gave expression to its views on economic, financial and social policy. In addition to all these public utterances the leading organs of the Federation have taken advantage of every opportunity that presented itself to take up a critical attitude in regard to the measures of the legislature and the execution of the same, and to propose such changes and improvements as they considered advisable.

The developments of recent years have shown that the execution of the proposals put forward by the Federation would have been the proper way of strengthening and bettering the position of business and of the country.

If to-day we come before the public once more with a new memorandum on German economic, financial and social policy, it is not because we have to withdraw or to amend our former proposals. Their relevance remains unimpaired in every respect. We consider the present moment to be of such importance, indeed of such historic significance, that we feel bound once again to raise our voice and lay our proposals before the public. We do so, conscious of the decisive responsibility which German industry bears for the economic recovery

or decline of Germany. We believe our proposals indicate, now as in the year 1925, the bases for the cure and recovery of the national economy and for the creation of increased opportunities of labour in the interest alike of the employers and the workers.

2. The events of the year 1929 force all responsible circles called upon to play a part in shaping the business development of Germany, and so improving the conditions of existence of the German people, to consider critically the progress of the country since the year 1924, to clear their ideas as to the economic position, and with insight and an open mind in regard to reforms to lay the foundations of healthy recovery, and secure recognition of them from Government and people alike.

There has been no lack in recent years of well-founded proposals and warnings from others beside ourselves. But the warnings have not been listened to by those to whom they were addressed. On the contrary a policy has been followed which has taken no account of the actual economic situation. Its effects are shown in the monstrous disproportion between the productive and profit-earning capacity of German business on the one hand and the general outlay of the public authorities on the other hand. The conditions precedent to continuous economic development were in themselves perfectly clear in the years 1924-25 following on the inflation. What was required was an economic and financial policy, which by conscious and uninterrupted adhesion to firm principles would have made good the ravages of the war and post-war periods and in particular the loss of productive capital. Further, all economic and financial measures should have been adjusted to the limits of a reasonable policy in regard to reparations, with every care to prevent weaknesses arising through fault of our own. Instead of this a policy was pursued which knew no principles at all.

Although it was realised that recovery was only possible if the economic forces of the country were left free to develop on their own, compromises with socialism were again and again concluded, and private enterprise was hampered and restricted by taxes and charges of all kinds, and by the fostering of government enterprises and government interference. Considerations of party influence have prevented the establishment of proper relations between the three factors - labour, interest rates and public charges. It was easier to stand by and allow greatly excessive proportions of the national income to be used for public purposes, for increase of the administrative machinery and extension of the systems of State relief, than to make the attempt to seek improvement of the conditions of living by the natural means of economic development. Internal political differences, lack of insight and lack of courage have prevented the consolidation of our economic situation; and with regrettable irresponsibility nothing has been done to enlighten the people as to the real necessities of the position.

The costs of production have increased more rapidly than the production itself. The public expenditure requirements have been swollen, relying on the surpluses of 1924, to an unparalleled degree much beyond the increase of the reparation liability. The expenditure of the Reich, States and communes (without the contributions of employers and employed towards the social insurance system) has increased from RM 14.9 milliards in 1925 to 19.9 milliards in 1928, as contrasted with a total of 7.2 milliards in 1913. To keep pace with this grotesque increase of public expenditure, the burden of taxation increased from RM 10.5 milliards in 1925 to 13.2 milliards in 1928, as compared with 4.0 milliards in 1913. Side by side with these developments there has been an exaggerated extension of social legislation, which has nipped more than one opening for German business in the bud, to the great disadvantage of

precisely those classes for whom the legislation in question is intended. The contributions to the social insurance system (including the unemployment insurance) rose from RM 2.9 milliards in 1925 to 5.3 milliards in 1928, as compared with 1.2 milliards in 1913. Social policy has in this way operated to a great extent in opposition to its own interests, and has created social problems and difficulties. It has led to an enforced redistribution of incomes, which has stimulated consumption to a greater extent than was justified by natural and healthy development. Exaggerated expansion on the one hand and excessive contraction on the other hand have been the sequel. Rising wages, rising public charges, rising interest rates and falling returns from capital have reached a point where it is no longer any use to increase production. The results are unemployment, bankruptcies, declining sales and general discontent stimulated to the point of disillusionment.

3. In the field of foreign policy Germany is not the only deciding factor. But in the field of internal policy she has a free hand; and it is here that we must look for the fulcrum on which to rest the lever with which to free ourselves in the sphere of foreign policy as well. German economic development is at the cross-roads. If it is not found possible now to readjust the burden of taxation and to give our economic, financial and social policy a decisive direction, the economic decline of Germany is assured. We regard it as certain that a continuation of the present state of things, taken in conjunction with the reparation liabilities, will lead to economic disruption, which will be followed by the gravest consequences for all sections of the German people. The view that a catastrophe is inevitable with any system of reparations can only be countered by action. All who have a sense of responsibility for the future of the German people must come out unconditionally for a change in the present methods of our economic policy.

4. The German economic system has undergone fundamental changes since the war. The financial, technical and organisatory transformation which has taken place has brought about far-reaching changes in the conditions under which the German economy functioned before the war. German industry must take these changes into account. What has been done in recent years has shown that our industry has the courage to adopt new economic forms and methods of work. The rationalisation, which the business community has undertaken with an energy that cannot be denied, has had its effects: but the rationalisation would have had far more favourable results, if it had not been powerfully impeded by the increase in the charges industry was called upon to bear. In many cases indeed the results have been unfavourable in the case of particular undertakings. Industry can only meet the enhanced demands which the new conditions impose upon the employers and the system as a whole, if it is relieved of unproductive tasks, if the rates for money are brought down, and if a reasonable return on the invested capital is assured. It must be given a free hand. It must be protected from experiments and political influences and interference from outside.

The recovery of industry and the provision of ample opportunities for the labour of the population and the elimination of unemployment can only be attained on the basis of the capitalist system with a free field for the producer to produce. It is one of the greatest errors of the economic and social policy of recent years that there has been no recognition of this truth. Disillusionment and pessimism on the part of the entrepreneurs are the enemies of the producing capacity, and so of the social capacity of the business community. The first condition of progress and expansion is the joy in work and the certainty, in big things and in small, that industry will be remunerated. This joy in work is to-day dangerously affected in many an undertaking as a

result of the erroneous economic, financial and social policy pursued. The State and the nation have nevertheless the utmost interest in the maintenance of joy in work and confidence in success on the part of the entrepreneur class. The more energetic and optimistic the latter are, and the more freedom of action they are given, the greater will be the economic production and the social capacity of the country, and the more satisfactory accordingly the conditions of life of the population.

5. The socialisation of production is the road to economic disruption and the impoverishment of the masses. For this reason we reject the democratisation of industry as a step on the way to socialisation and collectivism. German industry sees in these tendencies a great danger, not only for employers and employed, but for the nation as a whole. The democratisation of industry, which socialists preach, weakens initiative and destroys the sense of pleasure in responsibility without which no progress is possible.

6. The theory that consuming power can only be increased by increasing wages is wrong. It entirely overlooks the fact that wages are an element, not only of purchasing power, but also of costs of production. Increase of wages, if not in accordance with the general tendency of economic development, can only result (in view of the increase which it involves in costs of production) in an illusory and unfounded increase of purchasing power at the expense of the producing capacity of the country. Exaggerated increases of wages are paid for with the unemployment of other workers. Improvement in the conditions of living of the masses cannot be attained by artificial inflation of income without any corresponding increase of producing capacity, but only by means of increased formation of capital and restoration of profit-earning capacity.

Misapprehensions as to the limits of wage policy are mainly responsible for the fact that German industry is compelled to engage in the struggle of competition with foreign countries, on the world market and in Germany itself, under extraordinarily unfavourable conditions. The fixing of wages by public authorities without regard to the economic position of the industrial branches concerned means a weakening pro tanto of the capital and economic resources of the concerns affected. Each compulsory wage award is made at the expense of the necessary replacement of plant which has not yet been written off. The disadvantages of the system hit the worker as much as the employer. In many concerns and in whole branches of industry, which would otherwise be perfectly sound, it has become more profitable to restrict production than to maintain it at the cost of heavy and continuing losses.

7. The difficulties in particular branches of industry, and above all in agriculture, are only to a small extent due to the influence of the business cycle. A great part of them no doubt have their origin in the consequences of the war: but the causes of the present highly unsatisfactory situation are to be found to a large extent in the mistaken economic and financial policy hitherto pursued rather than in any shortage of productive forces in Germany. In misapprehension of economic functions wide circles of the German people are losing the sense of economic necessities. It cannot be sufficiently strongly urged that a continuation of the present high-handed hostility of the public authorities to business enterprise is bound to involve a weakening of the economic strength of the nation. The underestimating of the costs of production in the case of exports, and the continued increase in those costs with its inevitable weakening of the power of Germany to compete in the world market, is particularly dangerous in view of the fact that German exports are not

sales of "surplus" production, but are an indispensable element in the national balance of payments, essential if the profit-earning capacity of the country as a whole is to be increased.

8. The small formation of capital by the country itself and the high rate of interest, which is the expression of this shortage in the internal formation of capital, are the best illustrations of the gravity of the position. The level of interest rates in Germany shows the great disproportion which exists between the supply and the demand for capital. Whereas in the first half of 1927 the rates for one-month money on the Berlin Stock Exchange fluctuated around 7 %, in the whole year 1928 they varied between 8 and 9 %, and after a passing reduction in the first quarter of 1929 have been since June in the neighbourhood of 10 %. The general charges for long-term mark accommodation are appreciably higher. If foreign credits had not come into the country on a large scale in recent years, the rates for money would be higher still.

There is a similar disproportion between the artificial improvement in the standard of living and the profit-earning capacity of the country. According to the figures of the Statistical Office of the Reich 29 % of all the companies, for which data are available, and 17 % of the share capital paid no dividend in 1928. Another 12 % of the companies and 9 % of the share capital paid dividends amounting only to 5 %. The lack of profit-earning capacity in the case of the companies is also evidenced by the fact that, of all the securities officially handled on the Berlin Stock Exchange at the end of October 1929, no less than 49.3 % or practically one-half, were quoted below their nominal value, as against 41.4 % at the end of October 1928 and 40.5 % at the end of October 1927. The general disproportion between the

interest on capital invested in industry and the interest on fixed interest-bearing bonds (e.g. mortgage bonds) is also proof of the inadequate profit-earning capacity of the national economy.

9. Again in the alarming situation of the German labour market we see another consequence of the mistaken financial and social policy. The best social and wage policy is that which fixes such conditions of labour as reduce unemployment or entirely eliminate it. There has been no attention whatever paid to this principle: rather the contrary. The number of recipients of unemployment benefits (including those in receipt of the so-called emergency unemployment relief), which in October 1927 had fallen to about 450,000 and in the most favourable months of 1928 (July and August) amounted to about 650,000, had risen by February 1929 - partly as a result of the abnormally severe winter - to nearly 2½ millions, as against 1½ millions in February 1928. At the end of July 1929 in spite of the normal seasonal improvement there were still 860,000 out of work. Since then the number has increased to well over a million. Taking the most favourable months of each year, we find that the total of unemployed is some 200,000 more in the current year than last year, and some 400,000 more than in 1927. This is the inevitable consequence of the exaggerated charges on business in the form of taxes and social expenditure and the defective adjustment of wage policy to the economic capacity of the country.

10. The restoration of profit-earning capacity and the internal formation of capital are decisive for the reinvigoration and recovery of German business, which is the aim and object of our proposals.

II. PRINCIPLES OF GERMAN ECONOMIC REORGANISATION.

A. Formation of Capital

1. The starting point for all measures of economic, financial and social policy is under the circumstances of the German national economy the stimulation of the formation of capital. This is the condition precedent to the increase of production, and is consequently in the interests of all sections of the German people.

2. The various possibilities of forming capital must be estimated in accordance with their economic advantages. For years to come the answer to the question where capital is best formed and how it is best employed will be of decisive importance.

3. With a view to the greatest economic advantage, the provision of new opportunities of work and the satisfaction of the requirements of the masses, those forms of capital formation should be chiefly encouraged which make the new capital available for production in the quickest and safest way.

4. Entrepreneurs must be in a position to accumulate capital themselves in addition to earning profits.

5. German business must be freed of all uneconomic obstacles and impediments. The first charge on production which taxation represents must be cut down to the absolutely essential minimum.

B. The State and private enterprise

1. State interference with business should be limited by recognition of the principle of the freedom of enterprise.

2. The activities of public bodies in the field of business must be restricted to the performance of tasks which private enterprise cannot or should not accomplish.

3. Where public undertakings have any justification at all, they must be conducted generally speaking on the lines of private enterprise. They should not be accorded privileges in respect of financing or taxation. They should be required to operate under the same conditions as private enterprise.

4. The public control of housing (dwellings and commercial premises) by housing authorities, who account for a very considerable proportion of unproductive expenditure, should be rapidly abolished. During a transition period, which should not exceed five years, old rents should be brought up to the level of new rents, and the Rents Tax should be transformed into a communal housing tax on the legal lines of a tax of the Reich. The urgently required improvement of the conditions in the case of real property credit is unattainable in any other way.

5. Cartels are necessary and economically established forms of organisation under present circumstances. It is desirable that

a) the Private Law aspects of the control of cartels should be distinguished from the Public Law aspects of the same, and the control should be exercised on purely economic, and not on political, lines;

b) the interference of public authorities with cartels should be limited to urgent cases affecting interests of the national economy as a whole;

c) the requisite freedom of action and observance of contractual liabilities with legal redress should be assured;

d) an instance of appeal against decisions of the Cartel Court should be created.

C. Social Policy

The material demands of social policy must remain within the limits of the capacity and power of development of the economic system. There is no other permanent guarantee of the fulfilment of social tasks. Producing capacity is the source of social capacity. In recognition of this truth we, in concert with the Union of German Employers' Associations (Vereinigung der Deutschen Arbeitgeberverbände), urge the following reforms:

1. Social insurance legislation. The present bases of the system should be maintained; but the expenditure and benefits should be adjusted to the limits of what is economically possible, which is not the case at present. The social insurance system should take care of those who are genuinely in want and in need of assistance, while preventing unjustifiable (and, from the point of view of public morality, indefensible) exploitation of the benefits.

2. Unemployment insurance. The partial reform of October 3, 1929, is not sufficient. The unemployment insurance law should be immediately amended further. The object of reform must be to make possible the permanent balancing of the budget of the Insurance Office of the Reich by means of additional economies and without increase of the contributions or recourse to public funds.

3. Legislation with regard to arbitration and the system of compulsory wage fixing. The interference of the State in the fixing of wage and labour conditions should be abolished. The provision for the declaration of the binding character of an arbitration award should be limited to disputes of a general character in vital industries and disputes of a general character affecting the national economy to such an extent as to bring in jeopardy the existence of the population as a whole. The declarations of the binding

character of an award should emanate only from a new and independent authority of the Reich to be created for the purpose.

D. Fiscal and financial policy

1. The taxation demands of recent years have become so intolerable that the returns from profit-earning enterprises have been reduced well below the established interest level. Capital cannot continue permanently to interest itself in production under this pressure of taxation. The public finances should accordingly be given a form in which the claims of the State are adjusted to the vital economic necessities of the situation.

The reform of the financial system should be based on two general principles, viz:

a) material reduction of public expenditure and taxation,

b) raising of revenue to a greater extent than hitherto through indirect taxation.

2. Claims in respect of public expenditure:

a) drastic reduction of expenditure on the part of all public authorities,

b) rapid enforcement of a comprehensive administrative reform aimed at a reduction and limitation of the activities of Reich, States and communes.

3. Rapid reform of the legal position in regard to the budgets of the Reich, States and communes.

The main demands which we put forward under ten principal headings (see Annex) for the Reich have as their object:

a) the enforcement of far-reaching restrictions of the right of the Reichstag to grant expenditure. There should be no increase of expenditure without the assent of the Government of the Reich;

b) the position of the Economy Commissioner of the Reich should be strengthened and his powers extended;

c) the Extraordinary Budget and all extra-budgetary expenditure should be appreciably restricted.

4. Claims in respect of taxation:

Tangible relief from those taxes which impede the formation of capital and operate to break up capital.

a) Immediate and complete suspension of the payments under the Law for the Production of the Charge on Industry, and of the interest payments on the public law mortgage on land in favour of the Rentenbank.

b) Immediate reduction of the Tax on Commercial Occupations (Gewerbesteuer) by at least one-half, with complete abolition after a short transition period.

c) Reduction of the Real Estate Tax (Grundvermögensteuer), in the case of agricultural properties to one-half the present total.

d) Reduction of the Income Tax (Einkommensteuer) by lowering of the rates, especially in the middle and higher stages, coupled with amendment of the provisions with regard to the assessment of profits and assets on lines corresponding to economic requirements, and abolition of the Tax on Income from capital (Kapitalertragssteuer).

e) Gradual reduction of the Rents Tax (Hauszinssteuer) with a view to its complete abolition in conjunction with the abolition of the system of public control of housing (see also 5 c).

f) Reduction of the taxes on the movement of capital (Kapitalverkehrsteuern) and on real estate transactions (Grunderwerbsteuern), and abolition of the increment value taxes (Wertzuwachssteuern).

5. In so far as relief from reparation charges and economies on expenditure are not sufficient to cover the deficits resulting from the above reductions of taxation, the system of taxation should be reorganised and expanded on the general lines indicated above in the following directions:

a) increased recourse to indirect taxation, in particular to the taxation of consumption;

b) imposition of a communal contribution towards the cost of administration in virtue of a law of the Reich, to be leviable on all circles of the population;

c) after reduction of the Rents Tax and abolition of the public control of housing, there should be introduced a general tax on rents to be collected by the States and communes on lines to be laid down by legislation of the Reich;

d) linking up of the level of the communal contribution toward the cost of administration and of the tax on rents with the additions to such taxes on real estate as still remain, with a view to increasing the sense of responsibility on the part of those responsible for the communal finances.

6. The proposed reorganisation of the system of taxation should be followed by a modification of the present financial relations between the Reich, the States and communes in the following sense:

a) the Reich should make good to the States and communes their respective losses of revenue, where such losses cannot be made good out of savings or new taxation: there should be an absolute maximum amount fixed for the transfers of taxes under this head;

b) there should be a fairer distribution of burdens on both sides, since the abolition of the Tax on Commercial Occupations (Gewerbesteuer) and the Real Estate Tax (Grundvermögensteuer) affects disproportionately the budgets of the States and communes;

c) a bill for the greater uniformity of taxation on lines corresponding to economic requirements should be immediately passed with a view to the preparation of the definitive Financial Settlement between the Reich, the States and the communes and the establishment of unified bases for such taxes on real estate as still remain.

7. Undertakings of public authorities should be on the same footing in regard to taxation as private enterprises.

E. Foreign trade and the stimulation of exports

1. German commercial policy should adhere to the existing system of commercial treaties, and should be protected from disturbances and expanded. The conclusion of commercial treaties with the countries of Eastern and South-Eastern Europe should be a special object of commercial policy.

2. The stimulation of exports should be taken in hand on more active and more systematic lines.

F. Currency and credit Policy

1. The capital market should be carefully fostered. Recourse should be had to it only for productive purposes, as the internal formation of capital is not sufficient to supply the resources which are economically necessary for new capital improvements.

2. The need for uniformity of financial policy renders necessary the centralised control of borrowing by public bodies. The need for such uniformity of financial policy is intensified by the unsatisfactory conditions of the internal capital market in the shape of the misdirected appropriation of considerable amounts and the diversion of large amounts of the available capital by States and communes to unproductive objects.

3. The control of the Advisory Board for Foreign Loans should be extended. Its opinion should be decisive in all cases of the taking up of long or short-term internal or external loans by public authorities.

4. The formation of capital investment companies inside Germany should be facilitated by reduction of the taxes on companies and by the abolition of the Corporation Income Tax (Körperschaftsteuer) and the Tax on Commercial Occupations (Gewerbesteuer) in the case of all capital investment companies.

III. EXPLANATORY

A. Formation of Capital

1. The Federation of German Industry takes as the starting point of its considerations and demands those fundamental elements of any economic system - land, labour and capital. Of these three main factors of production, on which the economic fate of every country is dependent, the most important under present circumstances in Germany is the formation of capital. This is the key to our economic future. The natural treasures of the soil in Germany represent a given quantity: and all increase in the economic exploitation of the same depends on the improved and extended application of labour and capital.

The labour strength available in Germany is greater than can at present find employment. In part this disproportion is undoubtedly magnified artificially by mistakes in connection with the system of unemployment insurance and wage policy. But the dominant and natural causes for the fact that large supplies of labour are lying idle in Germany are to be found in the shortage of capital sufficient to create new opportunities of work, and the costliness of such little capital as is available. Until the labour resources of the country have been equipped with producing capital, that is to say with machines and other means of production, and until reserves have been accumulated and credit is available on an adequate scale, it will not be possible to make effective use of all the labour supplies of the country. To what extent this provision of capital is necessary depends very largely on the current economic competition throughout the world. Adequate capital equipment is consequently of extreme importance from a social standpoint also; and its importance increases in inverse ratio to the supplies of raw material

which the country in question commands, and the extent to which it is compelled to develop the more advanced forms of finishing and transforming processes of manufacture. It is for this reason that German economic development as a whole, and with it the employment and remuneration of German labour, all come back to the need for the formation of capital.

2. By capital in the economic sense we understand all means of production, especially raw materials, machines, tools, workshops, means of transportation, and money in so far as it represents a function of the movement of capital. In addition to this economic conception of capital there is the ordinary use of the word to mean mobile and liquid capital such as supplies of cash and working funds, credit balances and short-term book-debts. When we speak of a capital shortage, it is in this latter sense that we are using the word. The formation of immovable capital is under present circumstances a subsidiary problem in Germany in comparison with the formation of movable capital. In what follows therefore, when we use the term "formation of capital", we shall mean generally speaking the formation of movable capital.

3. All economic systems, which are not communistic or pure socialistic in character, afford numerous sources for the formation of capital. The income from the cultivation of the soil or from the labour of one's hands, the returns from capital or the profits of enterprise, all imply possibilities of capital formation. The vicarious, as opposed to the original, formation of capital is possible in connection with the reserves of private or social insurance or again in connection with the earnings of public authorities. Lastly it is possible to distinguish between capital formed out of savings of the recipients of income and capital formed out of reserves of private or public undertakings. In a highly developed, well-organised and well-run

economic system all sources of capital formation should under normal circumstances be of equal importance. But where the money and capital markets of a country are largely defective, as they are at the present time in Germany, the respective potentialities of each source must be closely scrutinised. Attention must then be concentrated on the fostering of those sources of supply which promise the largest and quickest return and are best fitted to create new opportunities of labour and new income, and most rapidly to satisfy the requirements of the broad masses of the people

4. It is not sufficient to urge in general terms the necessity of forming capital. What is required is the preferential development of those sources of capital which promise the surest and quickest results. The principal considerations to be borne in mind accordingly in the selection of particular sources of capital formation for preferential treatment are the object for which the capital is employed and the length of time over which its employment extends. If a salary or wage earner saves a part of his income instead of consuming it, that is a valuable source of capital formation. But if he lends his savings to another, who uses them to meet his requirements in the way of consumption, the capital formed ceases to be capital. The amount in question is lost, at any rate in part, so far as its productive employment is concerned. "Savings" are not in themselves sufficient: their effective and certain economic usefulness does not begin until there is an actual productive use of them, that is to say when the capital formed finds its way into the cycle of the movement of goods from the producing and not from the distributing side. An important example of this truth is to be found in the case of the deposits in savings banks. Each earner of income, who brings a portion of his income to a savings bank, has to that extent formed capital. But the economic usefulness of this capital only begins when the savings banks

make productive use of their accumulated deposits. If they lend a large portion of their funds to municipalities, and the municipalities employ them unproductively, this capital also loses its productive character. It is the same argument that applies to the squandering of public revenue or to foreign credits for unproductive purposes. The sources of capital formation, which must in all cases receive preferential treatment, are those in which experience shows that the element of uncertainty in regard to the productive use of the capital in question is as far as possible eliminated, and there is some guarantee that the capital will continue to be productively employed. It is our view that such a guarantee is to be found chiefly in the case of the capital that is formed out of the income of producing concerns, that is to say in the business enterprises of the country. Here too there may be misuse of the accumulated capital; but experience shows that the tendency of the capital which is formed by business enterprises themselves is all towards purely productive investment.

5. A further factor to be taken into consideration in connection with the facilitating and strengthening of the process of capital formation is the factor of time. It is of the first importance when, and how soon, the capital formed comes back into the process of production. A large part of the capital formed outside the business enterprises of the country finds its way no doubt by one road or another back into production. But this capital is not like the capital formed by business itself. The paths which it follows are, at any rate under present circumstances, too long and devious, and the time which it takes before it finds its way back into production is too long. The cost of it moreover is increased by its peregrinations. The present position of the German money and capital market is such as to make it imperatively necessary to give preferential consideration to the shortest and surest and cheapest

way of bringing all the capital formed back into production. That way is primarily the formation of capital by and in the businesses themselves. The existence of the small and medium undertakings depends mainly on whether the formation of capital in and by these undertakings themselves is sufficient. German industrial undertakings will always be dependent on foreign capital in addition to what they are able to form themselves: but a steady increase from year to year in their own accumulation of capital will go a long way to facilitate the expansion of the machinery of production and the provision of opportunities of work. The formation of capital and the earning of profits are mutually inter-dependent. If German business enterprises, - and not merely the larger enterprises, but the smaller and medium-sized enterprises as well - were really in a position to earn profits, the first basis of increased capital formation would have been attained.

B. <u>The State and private enterprise</u>

Production depends on a number of factors of the utmost variety, which it is impossible to calculate. They may be divided into two categories:

a) Factors which are independent of State intervention, such as personality and ability;

b) Factors which are profoundly influenced by the general trend of the economic, financial and social policy of the State.

The Federation by no means under-estimates the significance of those factors which are independent of State interference. On the contrary it has maintained and still maintains the view that business must leave no stone unturned in its own house in order to increase its effectiveness, and must avoid anything amounting to a waste of capital, material or labour. The time has however come when further rationalisation has no longer any prospect of success, unless the extraordinary impediments which the direction of economic, financial and social policy in antagonistic directions implies are

immediately eliminated. The Federation accordingly believes it to be its duty to include the consideration of these impediments in its programme, and critically to examine the activities of the State in the several branches of economic life. The demands of the Federation are not only for positive action but in many cases also for the discontinuance of existing activities. Not only are there a number of cases in which the economic, financial and social activities of Government organs in Germany have been proved to be mistaken: there are also a number of cases where the State as such ought not properly to intervene at all.

The view that the State should restrict itself to the mere protection of private enterprise belongs to a past age. Modern developments have conferred upon the State many important tasks in addition, which must be recognised to form part of its proper functions. But these functions are limited by the fundamental recognition of the freedom of business enterprise as a whole. With every infringement of this principle the State exceeds its inherent powers. Of such infringements there have been plenty in the period succeeding the war. We are constrained to demand serious scrutiny of the relations between the State and private enterprise. The State should confine its interference with private enterprise within limits consistent with the principle of commercial freedom.

We would direct attention principally to the following aspects of the position:

1. the intrusion of public authorities into the field of of private enterprise;
2. the public control of housing;
3. legislation on commercial enterprise;
4. cartel legislation.

The cognate questions of reform of the legislation on arbitration in industrial disputes and the system of compulsory wage fixing will be discussed under C. "Social Policy".

1. Intrusion of public authorities into the field of private enterprise.

The necessities of the war period extended the activities of the public authorities in the field of private enterprise to an extent hitherto unknown. In the post-war period this development has continued under the influence of new political forces and ideas. As soon as political and social conditions became more tranquil, private enterprise protested against the continual extension of these activities. It insisted on the great dangers involved for the community by the unhealthy competition of the State with private enterprise, made possible to a great extent only by the privileged position of the former. Although however the majority of the leading personages in the Government administration have pronounced in favour of restriction of the activities of the State in this field, nothing has been done to meet their demands.

We repeat these demands, and urge the cessation of all further intervention of the public authorities in this field. More than this, the present position in this connection must be subjected to searching scrutiny as to its economic justification. Where it appears that the economic activities of the public authorities are having an unsatisfactory effect on private enterprise, and in particular where it is shown that the public authorities are operating less economically than private enterprise in the same field, the field should be left once more to private enterprise.

The increase in the activities of the public authorities in the field of private enterprise has assumed the dimensions of an international pre-occupation. The International Chamber of Commerce at its Congress in

Amsterdam in the summer of 1929 passed a resolution on this subject pronouncing in principle for freedom of private business. Only private business operating with a free hand, the resolution stated, had shown itself capable of coping with the difficult conditions of contemporary sales and production; and the resolution added that private business had always displayed a sense of its responsibilities in respect of social claims and its relations to the State.

A country like Germany, whose economic system is burdened with a prior charge, is under a particular obligation to insist that its business activities should not be imperilled by economic interference on the part of public bodies. The public undertakings do not even operate under the same conditions as private undertakings. On the contrary they enjoy special privileges in respect of their financing and in respect of taxation, privileges which are both unjust and intolerable. An end must be made of these privileges, if only to allow of a genuine comparison between the efficiency of public and private undertakings. Where undertakings of the public authorities have any justification at all, they should be given generally speaking the form of private enterprises.

2. <u>Public control of housing</u>.

One sphere in which the interference of the State in private enterprise has been especially apparent is housing. The administrative regulation of the housing question has shown clearly enough that public control cannot afford any permanently efficient settlement of economic problems, and that, even if the interference of the State in this field was inevitable in the war and post-war periods, the abolition of the measures enacted at that time should now be taken in hand as rapidly as possible. Unhappily the legislation of those periods - the law with regard to the lack of dwelling-houses

(Wohnungsmangelgesetz), the rents law (Reichsmietengesetz), and the law with regard to protection of tenants and conciliation offices for the determination of rents (Gesetz über Mieterschutz und Mieteinigungsämter) - still remains in force, now as then, with certain relaxations only.

The system of public control of housing, and the practice of devoting public funds to this purpose with preferential treatment of public utility enterprises, have tended powerfully to restrict the formation of capital and still do so. The RM 6.6 milliards of public money which have been expended - in the form of long-term mortgages at low rates of interest - on the construction of dwelling-houses in the period since stabilisation of the currency have of course depreciated greatly in value. At the same time the maintenance of the system of public control of housing inevitably involves increasing depreciation in the value of capital investments in old house property. The breach in the conception of property involved in this connection deprives the owner of house property of the possibility of adjusting his position to increased charges.

We repeat accordingly the demands which the Federation in conjunction with the other central associations put forward in February 1927 for accelerated abolition of the system of housing control. We urge:

a) the immediate suspension of the law with regard to the lack of dwelling-houses and with it the abolition of the compulsory control of dwelling-houses and commercial premises by the housing authorities;

b) the cessation of interference with the freedom of contract of landlords and tenants;

c) the speeding up of the adjustment of rents of old houses to rents of new houses;

d) the construction of proper dwelling-houses, free from sanitary objection, to meet the needs of the masses, and the amendment of all building regulations which prevent such construction;

e) interest grants in lieu of capital grants, in so far as public grants are necessary at all.

A recent Government proposal laid before the Economic Council of the Reich and the Housing Committee of the Reichstag lays down directives in regard to housing, which do not involve any fundamental change in the present housing policy. These directives meet the wishes of private enterprise to the extent that they permit of the smallest type of house being built in urgent cases of housing shortage with due regard to the latest results of research as to the standardisation of such buildings. The directives urge the abolition of all out-of-date building regulations, which stand in the way of construction on modern lines. Another step forward is the emphasis laid on the necessity for residential workshops, on which public funds and foreign money are to be expended. There is no apparent reason why the construction of residential workshops should not receive as much attention as the construction of other forms of dwelling-houses, if public funds are to be used at all for such purposes.

Apart from these few considerations the proposed directives have no advantages to offer. In all other respects they involve the maintenance of the existing system of housing control. The dominant initiative of the public authorities is to be maintained, and the activities of the municipalities are even to be extended, since the latter are recommended to accumulate ground sites, and are to be given extended expropriatory powers with restricted compensation liabilities. Nor do the proposed directives make any essential change in the present methods of administering public funds allocated to

the construction of dwellings. The public funds are still to be treated generally speaking as mortgaged capital, and are not to be allocated in the form of grants towards the interest on mortgages. The legislation based on the system of housing control is to remain for years to come in view of the great demand for new dwelling-houses, and there is no question of further concessions in this respect. Moreover in the event of eventual abolition of the housing control system the directives contemplate a modification of the civil law in regard to rents in accordance with social considerations, in such a way as to involve permanent restrictions on the free disposal of housing accommodation.

Taken as a whole, the proposed directives represent a backward rather than a forward step. The attempt permanently to restrict the free disposal of private property is a particularly dangerous interference with economic freedom.

3. Legislation on commercial enterprise.

The law with regard to commercial undertakings has been the field again and again in recent times of State intervention for the protection of particular branches. The smallest occasion is treated as sufficient pretext for bringing the Government machinery into play. One symptom of this tendency is to be found in the efforts to bring in the State in connection with a settlement of the question of grants. Industry has always taken the view that the principle of commercial freedom must be maintained, and that the provisions of the laws with regard to commercial undertakings are intended to protect the public interest only, and not to interfere in the relations between particular branches of commerce with one another. A recent Government proposal for the amendment of those provisions of the fundamental legislation on commercial undertakings which concern peddling businesses and the activities of commercial travellers accepts this standpoint.

But over and above particular cases we take the general attitude that all measures, which involve unjustifiable and unreasonable interference with the principle of commercial freedom, should be dropped.

4. Cartel policy.

1. The dangers of unrestricted competition increase in proportion to the potentialities of production and the struggle for orders. In many industries, particularly in the small and scattered businesses conducted by entrepreneurs of the middle class, the competition which prevails is uneconomic. Understandings in such cases on cartel lines may avoid ruinous prices and conditions regularly involving losses of capital, which fall in the end on the consumer. Where cartels counteract ruinous conditions of this kind, they are merely fulfilling a natural and necessary economic function. They are regulating the market and so creating the conditions precedent to healthy accumulation of capital. The object of cartels is not to eliminate but to regulate competition and to prevent it from assuming degenerate forms. As applied to marketing, cartels are designed so to regulate prices and terms as to make it possible to earn the costs of production and a reasonable margin of profit in addition. If particular cartels were to go beyond reasonable limits in fixing prices, their policy would very soon be corrected by the natural play of economic factors, the operation of which is far stronger and far more general than any intervention by governments. If it was a fact, as the opponents of cartels assert, that cartels lead to excesses on an extensive scale, the profit earning capacity of those industries which are organised in cartel form would look very different to what it actually does.

2. The shortage of capital tends on a continually increasing scale to make the cartels extend their activities beyond the sphere of market regulation and to attempt the direct encouragement of production. In many cases

such efforts are still ineffective for the reason that they are not undertaken with sufficient firmness and so prove short-lived. But many cartels have accomplished much in this field.

Where cartels attempt the direct encouragement of production, the object is to lower costs and improve quality, and so to save and conserve capital. All methods do not suit all cases, and there may be cases where a cartel cannot do anything for the direct encouragement of production.

The firmer the organisation of a cartel, the easier will be the accomplishment of its task. One of the most important functions of a cartel is the weeding-out of businesses which are operating under unsatisfactory conditions, so as to rationalise production and adapt it to the possibilities of the market. Such closing down of businesses with a view to better organisation has generally been attempted only by marketing cartels. More loosely organised cartels have other means of getting rid of unnecessary dead-weight in the shape of out-of-date businesses.

3. In order to fulfil their functions in the national economy, cartels require freedom of action, loyalty to contract and legal security. Loyalty to contract presupposes the protection of cartel agreements from unnecessary or unreasonable attacks in virtue of the legislation in regard to cartels. The legislation on this subject, which was put through in a hurry towards the end of the period of currency inflation in Germany under misapprehension of the economic situation, in virtue of an enactment giving the executive legislative powers in defiance of fundamental provisions of the constitution, constitutes an arbitrary attack on a particular form of economic organisation. There are undoubtedly cases where far-sighted and responsible entrepreneurs can not be required to observe their cartel obligations until the latter expire in the normal course. In such cases there must be some legal means of

relief from such obligations in good time. Before the Cartel Decree was issued such legal means existed. But the possibility of denouncing agreements must conform in law and in fact to the supreme principle of loyalty to contract, and must be so regulated that agreements are not denounced without specification of date except in specially urgent and exceptional cases. Only extreme emergency justifies such action: the present state of things, where it is a common practice, must cease. Unless it is desired to put an end to cartels altogether or to deprive them of all practical effectiveness, it is necessary to amend the paragraphs of the Cartel Decree and the whole procedure with regard to the denunciation of agreements.

4. Loyalty to contract is further compromised by the so-called preventive censorship, that is to say the provision that cartel boycotts and similar measures require the previous consent of the Cartel Court or its President. Cartels, like many another organisation, cannot exist without the power to enforce their will in and outside their own house. It is reasonable to ask that cartels should not employ unfair or unsavoury means in such action as they may take against outsiders, and to give the latter protection against attack. But such protection must be provided by some means other than the present censorship of boycotting. It cannot in practice be made effective; but it can do, and has done, much harm. The system puts a premium on protests, and involves aggravating losses of time and money over negotiations with the Ministry of Economic Affairs and the Cartel Court. It induces the cartels to take unnecessarily rigorous action: it undermines the existence of cartels in many cases: and it leads to an unconscionable condition of legal insecurity. The administrative and judicial interferences under the Cartel Decree are based on highly elastic legislative provisions, which give those who are responsible for the control of the cartels a far-reaching measure of freedom of action while they expose

the cartels themselves to the utmost possible insecurity as to their position. The peculiar procedure in the case of cartel litigation is also calculated to create doubt and uncertainty in regard to the actual position. It is symptomatic of the special treatment which the public authorities mete out to the cartels that, while the power to enforce their decisions which is essential to their very existence is restricted and paralysed at every turn, similar powers in the case of the trade unions are fostered and furthered in every way. (See for example the decision of the Labour Court of the Reich No. 246/29 of November 6, 1929).

5. The injuries and dangers involved by the current uncertainty as to the legal position in regard to the two principal means left by the Cartel Decree at the disposal of the cartels for enforcing their will, viz. the denunciation of agreements and the institution of boycotts, are intensified by the fact that the Cartel Court is at once the first and the final instance in these cases so that, where its decisions are wrong, they cannot be put right. In other civil litigation in the ordinary courts the litigant has three instances open to him. It is essential that in cartel litigation, on which very often innumerable business contracts involving incalculable sums of money depend, there should be at least one court of appeal. The industries in which cartels exist attach the utmost importance to the provision of such a court, and their view is supported by many legal circles.

6. The Ministry of Economic Affairs, in the exercise of the powers which it has under the Cartel Decree to obtain information, at present interferes in thousands of cases most of which are of no importance at all. Its right to interfere is supposed to be based on the necessity of safeguarding the interests of the national economy as a whole and the public welfare. It is not possible that there should be menaces to the national economy and the

public welfare in all these thousands of cases. The administrative control of cartels should be restricted to intelligent intervention in the most urgent cases, where the national economy and the public welfare really are affected. The present inquisitorial methods and the passion for interference at every possible point put a premium on protests, diminish the sense of economic responsibility, give rise to unnecessarily sharp measures, and create legal insecurity, without eliminating abuses or effectively safeguarding either the economic interests of the country or the welfare of the public. The present system hits hardest the cartels of the small middle class trades, since these are the most open to interference and attack in view of their weakness and defective organisation.

7. A healthy system of cartels protects capital and promotes the formation of capital, and is for that reason economically necessary now and in the immediate future. The conception and practice of the control of cartels by the State is out of harmony with the requirements of reasonable and effective policy. We demand mitigation of the element of compulsion which is inherent in the system, assurance of the requisite freedom of action for business, maintenance of the conception of loyalty to contract and legal security for the cartels.

C. Social policy

Production and the formation of capital are affected by the present form of the social insurance system in Germany in more ways than one. On the one hand the social insurance laws impose high financial burdens as a direct initial charge on production. In the special case of unemployment insurance there is the additional factor of a huge deficit on the operation of the system, which upsets the national finances. Other forms of social legislation, and in particular the arbitration system and compulsory wage fixing,

exercise an equally important material influence on the costs of production, and so on the accumulation of capital, and constitute one of the most conspicuous fields for the struggle for the maintenance of the principle of the freedom of private enterprise.

The Federation of German Industry in agreement with the Union of German Employers' Associations has again and again made it clear that it does not fail to recognise the general soundness of the conception of social policy, and regards a reasonable social policy as an inseparable part of any economic policy. But on the other hand social policy should not exceed the limits which are set by the conditions of economic development itself; it cannot ignore those economic conditions without which there can be no social policy at all. The sound requirements of economic policy must not be relegated to a second place after and below social welfare, or social policy will end by having unsocial effects. We believe that at bottom the best social policy is that which creates the greatest number of opportunities of work within the limits of free and unrestrained enterprise. The free and untrammelled expansion of economic forces relieves social policy from the outset of many of its pre-occupations and tasks. Improvement of the conditions of social distress should not begin with the granting of financial relief, but with the taking of measures to prevent such distress arising: which in the case of unemployment means that, while it is of course important to look after the unemployed when they lose their employment, it is economically more important to combat unemployment by encouraging production.

Close enquiry into the present position in the three fields of

1. social insurance legislation
2. unemployment insurance
3. legislation on arbitration in industrial disputes and the system of compulsory wage fixing

leads us to make the following suggestions and proposals for reform.

1. Reform of social insurance legislation.

In recent years a marked increase in social charges has been observable. Whereas in 1913 the total burden was only 1.2 milliard marks, in 1925 it was 2.9 milliards (including unemployment insurance), 4.2 milliards in 1926, and nearly 5 milliards in 1927. In 1928 very careful estimates place the total figure at some 5.3 milliards. These sums constitute a very exceptional charge on industry, and there is an increasing volume of protest on the part of those affected against the intolerable level of the insurance contributions. It is beyond question that the high social expenditure affects increasingly the country's ability to compete with foreign countries. This is not the view of German industry alone: it has found open expression in other countries. For example in defining its attitude in criticising the extension of social insurance in France the French paper "L'exportateur français" writes: "Secondly the social charges, which have to be included in the costs of production, contribute to increased prices. So long as these charges are higher in Germany than they are in France, we shall find it relatively easy to face the competition of products made in Germany on the export market."

If we continue to follow the present course of continual expansion of the social insurance legislation, there can be no doubt that the country will cease to be able to raise the high social contributions in addition to its other burdens, or will only do so at the cost of the gravest consequences, so that in the last resort the insurance legislation will re-act against the insured themselves. For this reason there must be a change in the tendency, which at present dominates the social insurance system, to turn the State to an ever increasing degree into a relieving institution. It is just because we recognise in principle the necessity of social policy that we are constrained

to insist that the benefits of the insurance system should go only to those who really require them. The Union of German Employers' Associations has worked out particular proposals for changes in this sense, with which the Presidential Board of the Federation adheres.

2. Reform of unemployment insurance.

Proposals for the reform of the Law on Labour Exchanges and Unemployment Insurance were put before the public in a special memorandum of the Union of Employers' Associations in May, 1929. The Federation of German Industry adheres to these proposals.

On October 3, 1929, the Reichstag passed a law amending the Law on Labour Exchanges and Unemployment Insurance. The Federation of German Industry admits, as does the Union of Employers' Associations, that the new law creates a number of possibilities of combating more effectively than has hitherto been possible those defects and abuses of the unemployment insurance system which have come to light. On the other hand it must be recorded that the decisions of the Reichstag of October 3 have not solved the financial problem, that is to say the reform of the finances of the Unemployment Insurance Office and the relief of the budget of the Reich accordingly. According to official statements the Insurance Office is left with an annual deficit of RM 180 millions, for which under the provisions of the Law the budget of the Reich is responsible. It is also to be anticipated that the Office will come to the Reich during the winter months with additional requirements of RM 200 - 250 millions for which there is no cover out of income or reserves, and for which there is no adequate provision at present in the budget of the Reich.

We therefore call upon Reichstag and Government immediately to take in hand a new programme of unemployment insurance reform on the basis of

additional economies in lieu of increased contributions. Any increase in the contributions of employers and employed to the finances of the social insurance system would be out of harmony with the principle (which has incidentally been recognised again and again by the Government itself) that relief of the burden of taxation is an economic necessity. The budget of the Unemployment Insurance Office must be balanced by means of appropriate economies on the lines indicated in the proposals of the Union of Employers' Associations.

3. Reform of the legislation on arbitration in industrial disputes and the system of compulsory wage-fixing.

The manner in which the legislation on arbitration in industrial disputes has been applied, in particular in the case of the declarations by the State arbitrators making arbitral decisions obligatory, has led in the course of years to a most dangerous diminution of the sense of responsibility of the parties directly affected. Decisions as to the fixing of wages are left to the official authorities. The consequence has been the development of a very regrettable practice of putting forward demands for wage increases every time a wage agreement lapses without regard to the economic position of the industry concerned, in the sure expectation (based on the experience in the past) that the arbitrators will concede a part of these additional demands. The results of this official wage policy, taken in conjunction with other current burdens, are seen in the growing diminution of the power of industry to compete and in the alarming unemployment figures which have been recorded for a year past. The unemployment totals of the opening months of 1929 are by no means due entirely to the severe winter; they are a warning of the defects in the unemployment insurance legislation and the official wage policy.

German industry welcomed the initiative of the Minister of Labour in the autumn of last year with a view of a discussion of the possibilities of

reform of the arbitration system. In the course of the discussion the employers made it clear that they were not opposed to the principle of arbitration. They were even disposed to admit the desirability of State action in this field within limits. But they preferred arbitration on the basis of wage agreements, and they were prepared to develop the existing system in this direction. Our chief objections are not to State arbitration as such, but to the element of compulsion in the hands of the State, that is to say against the declarations making arbitral decisions binding. We therefore urge the abolition of the binding declarations as a general thing, in the form in which they are made possible by the present conditions of the law. In our view it is not for the State forcefully to interfere in private economic and legal problems such as the regulation by employers and employed of conditions of work, with disastrous results to the feeling of initiative and the joy of decision, and above all the sense of economic and social responsibility, on the part of those directly affected, viz. the employers and the employed.

The discussions at the Ministry of Labour did not take this attitude into account. The Minister of Labour, considering only the views of the trade unions and ignoring the opposition of the employers, summarised the result of the discussions as a conclusion that no changes are needed in the legislation with regard to arbitration in wage disputes and that existing defects can be removed by administrative means. He accordingly rejected the proposal of the Union of Employers' Associations to appoint a commission to consider detailed proposals of reform, though at the same time he placed himself at the disposal of employers and employed for the purpose of further discussions, with a view to which the Union of Employers' Associations accordingly undertook to submit detailed proposals. In fulfilment of this

undertaking it made detailed proposals for reform of the existing system in a comprehensive memorandum addressed to the Ministry of Labour on October 26, 1928.

After the finish of the iron and steel conflict in the Ruhr, which brought home to the public in the clearest possible manner the necessity for reform of the arbitration system, the Union of Employers' Associations made public a comprehensive memorandum of considerations as to the objects of the arbitration system and concrete proposals for the organisation of the procedure together with observations on the system of binding declarations. The Federation adheres to the terms of this memorandum. The forceful intervention of the State in the system of arbitration must be restricted as much as possible, and the onus of negotiation must be left once more to the contracting parties, and the vanished sense of responsibility be restored once more. The binding declarations should only continue to be admitted in disputes of a comprehensive character in vital undertakings, in cases where the economic effect is to imperil the existence of the entire population. It should be defined by decree of the Government of the Reich what exactly is meant by "vital undertakings", and such decree should carry the assent of the Reichsrat after the associations of the employers and employed have been heard. Binding declarations should be issued by a department of the Reich on the proposal of the parties concerned or the Government of the Reich. Such department should consist of a chairman having official character and judicial independence, together with a number of impartial assessors without the right of voting and representatives of the employers and employed in equal numbers.

Before deciding to make an arbitral decision binding the Department should consider whether the conditions precedent to such a declaration are present or not, and no such declaration should be issued unless this question

is answered in the affirmative and the arbitral decision is justified on economic and social grounds. On grounds of law we also consider it right that all decisions of the proposed Department should have a two-thirds majority.

The proposed new discussions in the Ministry of Labour have not yet taken place. We regard it as imperatively necessary that they should take place as soon as possible and that the above proposals, which are in the common interests of employers and employed alike, should be given every consideration.

D. Fiscal and financial policy

1. The burden of direct taxation.

This finance programme necessarily takes as its starting-point the fact on which we have laid so much stress that the German economy is saddled with an intolerable burden of taxation. For years this has been recognised, and every Finance Minister of the Reich has admitted the necessity of reducing expenditure and cutting down taxation. But in spite of minor concessions the burden of taxation has increased continuously since 1925, and that because the public expenditure has grown in a manner for which there is positively no parallel.

In the financial year 1925 the revenue from taxation in Germany was approximately RM 10½ milliards. It is estimated for the financial year 1929 at between 14 and 15 milliards. That means an increase in the tax-burden in four years of some 40 %, and that at a time when the national economy was called upon to make good the ravages of the war and post-war periods and to take up the hard struggle for the recovery of lost markets.

The burden of taxation which industry has to carry will be appreciated if it is realised that the State in the relatively favourable business year 1927 took out of the pockets of industrial companies in the form of taxes a preference dividend averaging 7.9 % of the nominal capital, after which the companies were allowed to pay their shareholders a dividend averaging 5.7 %, which is far below the normal interest rate for long-term capital investments in Germany.* That is to say, the State in 1927 was taking a 40 % higher share of the profits of industry than the shareholders, to say nothing of the fact that the dividend paid to the shareholders was subject itself to further high taxation. The conditions were equally unfavourable in the case of individual businesses.

The disproportion which these figures reveal has increased continuously up to the present. The economic development of the country has in general declined since the end of 1927, but the tax demands of the State have risen appreciably. The public does not sufficiently realise the effect of so unnatural a divergence of tendencies.

Production is only possible by the co-operation of capital and labour, and both of these want adequate remuneration for their co-operation. If the profits of the entrepreneur are so curtailed by taxation that they fall below the current rate of interest in the country, or if they are actually made impossible by the high level of taxation, the interest of capital in responsible productive activity is bound in the long run to disappear. The most important source of capital formation is thus dissipated. Capital is encouraged to turn from production to other activities, and finds its way to foreign countries where the rates of taxation are lower.

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* These figures are taken from a publication of the Federation (No. 47) with the title "Besteuerung, Ertrag und Arbeitslohn" (Taxation, Profits and Wages). This publication is based on the most extensive material that has ever hitherto been available for enquiries into the tax-burden of industry.

If it is to be really possible to meet the reparation liabilities out of Germany's economic surplus, fiscal and financial policy must follow lines which increase the production and strengthen the export capacity of the country. For this it is essential that there should be an effective reduction of direct taxation, since direct taxation is the principal obstacle in the way of lower prices - most important of all weapons in the competitive struggle - especially when the taxes in question are imposed without regard to the amount obtainable or obtained.

The severity of a tax does not lie only in its amount but also in the manner in which it is collected and (in the case of direct taxes) its cumulative effect as well. The pressure of taxation on the productive forces of the national economy increases in proportion as direct taxes are preferred to indirect. Relief from direct taxes has also a favourable social effect, since the provision of work and the satisfaction of the requirements of the masses are thereby facilitated. It is for this reason that countries, which are specially concerned to develop their productive forces, adjust their taxation system to the utmost possible extent so as to draw revenue from the consumption of commodities other than luxuries. This form of taxation is moreover just, since no one will consume such commodities unless he is prepared to pay the taxes upon them.

The direct taxes have risen since 1924 to a much greater extent than the indirect taxes, so that nearly two-thirds of the revenue requirements are now met out of direct taxation. In a country suffering as Germany does from shortage of capital this disproportion is bound to have particularly injurious effects, since the formation of capital is hit much harder by direct taxes than by indirect.

The above considerations suggest as a fundamental demand the necessity for a transference of the centre of gravity of our system of taxation from direct to indirect taxation.

2. Reduction of public expenditure.

In spite of an immense increase in the revenue from taxation we are confronted with the fact that the ordinary budget of the Reich for 1928-29 shows a deficit of over RM 150 millions, while the budget of the current year is not balanced. In addition to this there is the deficit on the extraordinary budget of the Reich which has been carried over from previous years and amounts to many times as much as that of the ordinary budget. The financial policy of the States and still more of a number of municipalities has led to similar abuses on a wide scale. The result of such policy is that the cash and budgetary position of the Reich and of a number of communes has for a year past been assuming increasingly menacing proportions. Reduction of expenditure thus takes rank with the relief of the business community as a political necessity of the first importance. Regard for the national credit and reputation must be a first consideration of financial policy. If the business community as the principal taxpayer is to be kept in being, public expenditure must be reduced as rapidly as possible. The year 1929 has shown clearly that it is impossible to raise from taxation the revenue which is necessary for the present scale of expenditure.

The position has become so grave that no further time must be lost.

a) The talk of "the inevitable increase of public expenditure", with which the demand for economies is met, must be rejected in principle. It is equally unjustifiable to treat the deficits in the budget of the Reich for 1928 and 1929 as an argument for the necessity of increasing expenditure in 1930, and on the same ground to earmark a portion of the savings on reparation payments (if any)

for balancing the budget. Undoubtedly the balancing of the budget is the supreme requisite for all ordered public finances; but it is no justification for exaggerated increases of expenditure. If the Reich, the States and the communes make a decided effort to cut down expenditure, it must be possible to cover requirements even with diminished revenues. The reductions which we have in mind are not curtailments of salaries or systematic retrenchment of officials. No one who believes, as we do, in the necessity and value of a well-trained professional corps of officials can support any such proposals.

b) Otherwise the only possibility of further successful economy is in the direction of reform and simplification of the administration. We repeat accordingly with all emphasis as part of our programme our demand for acceleration of the work that is being done in this sense. As to the necessity of administrative reform there can be no doubt. Well-advised action on the lines of the numerous proposals which have been put forward cannot fail to give results, if all concerned are conscious of the significance of their task.

3. <u>Changes to be made in the legal position with regard to the Budget</u>.

The conviction of the necessity of greater economy on the part of public bodies has made headway in wide circles of the population. There must be no illusions however as to public recognition of the necessity being sufficient to bring about the necessary changes. A number of legal measures are necessary. Their aim must be to increase the sense of responsibility on the part of those who are responsible for the public finances.

Apart from measures in respect of taxation, which will be discussed below, the principal requirement is reform of the legal position with regard to the budget in the case of Reich, States and communes. The German Congress of Industry and Commerce and the Federation of German Industry have given close attention to this question, and have formulated their attitude in ten

guiding principles or "Directives". These Directives have been submitted to the Reichstag with comprehensive explanatory memoranda and have been published in the press. The text and explanatory memoranda are contained in the Annex.

Although the Directives apply only to the reform of the budget of the Reich, the necessity for energetic budgetary reform in the case of the States and communes must also be expressly emphasised. The experiences of recent years have shown that a strengthening of the control of the communes is urgently required. The control should not be exercised, as it still is to a great extent, on formal legal lines: its first object must be to show the necessary consideration for the difficulties of the economic position. From this standpoint the credit policy of the communes in particular must be watched very much more closely than it has been hitherto. In the interest of uniform financial policy it is essential that an authority of the Reich should be entrusted with this control (see also pages 58 and following).

4. Particular claims in respect of taxation policy.

Under present circumstances it is natural that the reform of taxation should be considered in connection with the relief derived from the reduction of the reparation charges. These will amount for the current financial year 1929-30, if the Young Plan is accepted, to some RM 450 millions, or for the financial year 1930-31 to some 700 millions. In relation to a total revenue from taxation of 14 to 15 milliards such amounts are much too small to form the basis of a financial reform. If the reform of taxation is to attain its ends, this basis must be very much broader.

We have indicated in the introduction to this memorandum the guiding lines of tax reform, namely:

Reduction of taxation and reform of the taxation system in the sense of relief of direct taxation with a view to lowering costs of production and promoting the formation of capital.

If once the necessity for such a remodelling of our system of taxation is recognised - and no one can close his eyes to this necessity who regards financial and economic policy from any standpoint other than that of party politics - the measures required in particular branches of taxation will be readily appreciated. If the present position is such as to make careful fostering of the economic position a necessity, it follows that the reduction of taxation must apply to those taxes which hit production hardest.

a) The first demand to be put forward from this standpoint is for the immediate abolition of the legislation for the production of the industrial charge. That legislation has long lost its inward justification and, now that the Dawes Plan is being replaced by the Young Plan, it loses also its legal basis. The acceptance of the Young Plan obviously involves the lapse of this legislation. The charge on agriculture in favour of the Rentenbank goes hand in hand with the industrial charge, and should be abolished at the same time as the latter.

b) Further relief must take the form of the reduction of the taxes on real estate and commercial transactions, in particular the taxes on commercial occupations, the operation of which in their three-fold form of taxes on profits, capital and wage totals is particularly unsatisfactory. They represent an unjust and one-sided charge on production as compared with other branches of economic activity. The Tax on Commercial Occupations, in so far as it is levied on profits, is only a form of additional income tax. In so far as it is imposed on capital, it is a form of additional property tax, and its incidence is the greater in that it is levied without regard to whether a profit is earned or not. Its effect when levied on wage totals is the same as when it is levied on capital.

As a slight additional charge on funded income and as an offset to the public expenditure necessitated by the commercial occupations themselves, this tax could be tolerated when commercial occupations were making high profits, and the tax was imposed - at moderate rates - as a supplement to low taxation of income and property, at a time when there was no such distribution of financial and economic burdens as there is today. In the post-war period all the conditions which might justify special taxation of commercial occupations have fundamentally changed, while the commercial occupations are now, to a far greater extent than ever before, supporting pillars of the entire national economy. On their continuance hangs the fate of the entire population. That being so, it is to fly in the face of economic reason to impose special taxation on commercial occupations.

This consideration makes it imperative to demand the complete abolition of the Tax on Commercial Occupations.

But with the present system of communal taxation and the current financial relations between the Reich, States and communes the complete and immediate abolition of the Tax on Commercial Occupations might lead to difficulties in the finances of the States and communes. In order to avoid this danger, it will be necessary to submit for the time being to the maintenance of this tax, but only within certain limits and only on condition that definite proposals are at once worked out, and given legislative shape, for its ultimate abolition. As an immediate measure it must be reduced by at least half.

The Real Estate Tax has also in recent years been far too rapidly increased. It also must be reduced, especially in the interests of agriculture, a branch of the national economy which has admittedly been working for years without a profit. We accordingly propose that the Real Estate Tax should be cut down to half its present figure in the case of agricultural properties.

There must be legislation of the Reich to insure that the States and communes give practical effect to these reductions of the taxes on real estate and commercial transactions.

c) The reform of taxation necessarily involves also a reduction of the Income Tax, particularly in the middle and higher stages of the graduation. Just as the abolition of the industrial charge and the tax on commercial occupations means a reduction in the cost of production, so the lowering of the Income Tax is an absolutely essential preliminary to the promotion of capital formation and the prevention of capital emigration. The excessive charges on income in the course of the last few years, particularly in the medium and higher grades, have so undermined the morality of the taxpayer that the evasion and emigration of capital have increased to a regrettable degree. Reasonable reduction of the rates of taxation will not diminish but increase the returns. The rates of the Income Tax must be remodelled in such a way as to leave the tax on the first RM 15,000 of the income at 10 %, gradually increasing to not more than 25 % on the total income.

The taxation of income is aggravated by the Church Tax, as the latter is mostly collected in the form of sur-taxes on income. There are no objections of principle to this form of collection; but the sharp graduation of the Income Tax, not only in the case of high incomes but even in the case of incomes of medium size, leads to the imposition (even at the moderate rates of the Church Tax) of amounts which are higher than is appropriate to the conception of the ecclesiastical parish as a community of personal believers. Nor is the imposition of ecclesiastical taxation on legal persons consistent with the character of the parish as such. The legal position with regard to ecclesiastical taxation must accordingly be modified at the same time as the Income Tax is reduced.

If we place at the head of our demands our claim for abolition of the Tax on Commercial Occupations and reduction of the Income Tax as the most urgent and most important corollary of the new reparation settlement, that does not mean that we do not maintain the wishes which have been expressed for years past in industrial circles for re-introduction of the system of taxation on a three years' average, for a fundamental regulation of the question of writing down, and for the placing of the profits of individual undertakings on the same basis for purposes of taxation as those of corporations and legal persons.

We also maintain our demand for the complete abolition of the Tax on Income from Capital, the chief defect of which is its adverse effects on the credit supply of the country as a whole. Abolition of this tax in the case only of new issues of fixed interest bearing securities would prejudice former issues and so weaken the bond market still further. No appreciable facilitation or cheapening of credit would follow such half measures, since they would not be sufficient to remove the general pressure on the capital market.

With a view to the relief of weaker undertakings we also consider it would be desirable to amend the legal position with regard to the Property Tax, imposing it only where it can be paid out of earnings.

d) The economic importance of a thorough-going reduction of the taxes on the movement of capital or of a complete abolition of all taxes which bear on rationalisation (above all the Company Tax, the Tax on Real Estate Transactions and the Increment Value Tax) has already to a certain extent been recognised in the Law for the Mitigation of Taxation of March 31, 1926. But this law only operates until September 30, 1930, and it is already obvious that the process of economic readjustment which is taking place in Germany will not be completed in the course of next year. A general reduction of these taxes is consequently essential, if the economic recovery is not to be interrupted by the inordinately high rates at which they are at present assessed. Apart from this, it is urgently necessary that the taxes on the movement of capital should be reduced. The gloomy conditions on the capital market, on the Stock Exchange and in the real estate market are sufficient evidence of the need for a thorough-going reduction of the prohibitive rates of all these taxes on movement of capital or real estate transactions, as also of the abolition of the taxes on increment which cripple the entire real estate market.

e) For the same reason we regard a gradual reduction of the Rents Tax and the system of public control of rents to be a necessity. The further we progress from the inflation period, to which the Rents Tax owes its origin, the greater must be the burden on house

property of this charge, which powerfully restricts the rights of ownership and has completely undermined the house property market. The advantages which house property derived from the depreciation of the currency must have been amply offset by the yield of the Rents Tax down to the present time. It is only fair that house property should be relieved of this burden as soon as possible.

One half of the proceeds of the Rents Tax approximately is devoted to the provision of new dwellings. We regard it as essential that within five years at latest this part of the Rents Tax should disappear altogether concurrently with the abolition of all public control of rents. It will be possible to accelerate the process, if the experiment is tried of subsidising reductions of interest - so long as such subsidies can still be regarded as necessary - in lieu of capital grants out of the current proceeds of the Rents Tax. At the close of the transition period there can be no question of subsidising interest reductions except in so far as arrears are available out of past Rents Tax mortgages.

The remainder of the Rents Tax, which goes to cover general Treasury requirements, must be abolished and replaced by some general taxation of house property falling only on the tenants (see also pages 53 and following).

5. Loss of revenue as a result of reductions of taxation.

The losses involved in the proposed reductions of taxation indicated will only in part be covered by the relief in respect of the reparation payments. The savings on expenditure will have to be employed in the first instance to cover current deficits. Whether it will be possible to effect additional savings of expenditure on a sufficient scale to render unnecessary the tapping of new and hitherto unexplored sources of taxation appears doubtful. New sources of taxation of a more defensible character will presumably have to be found, and the attempt must be made to increase the productivity of other taxes, where this can be done with less adverse effect than in the case of the direct taxes.

The direction which such proposals must follow is indicated by the principle enunciated in these pages at the outset of transferring the onus of taxation from the direct to the indirect taxes. That includes heavier taxation of non-essential consumption. Whether and, if so, to what extent expansion of particular taxes on consumption is possible and economically tolerable will have to be considered carefully in each case in conjunction with the trades and industries affected.

The proposed reductions of taxation affect in the first instance the finances of the States and communes. Three-quarters of the reduction of the Income Tax is at their expense. The abolition of the Tax on Commercial Transactions will be felt particularly by the communes, since it represents with the Real Estate Tax the principal flexible element of communal revenues. That the States and communes must be given some equivalent for the losses incurred by them is obvious, as savings of expenditure will not be available immediately on the requisite scale, inevitable as they will prove to be in the end.

In considering what new taxes can or should be allocated to the communes to collect and administer for their own account, it is essential to start with the existing system of communal taxation. The principal defect of the existing system is the fact that there is scarcely any connection between those who pay the taxes and those who impose them. Under present circumstances the funds required to cover new expenditure must be raised in the first instance through increases of the taxes on real estate and commercial transactions. Such increases hit directly only a small proportion of the citizens. In view of the composition of the communal representative bodies it is not surprising that this system has led to extremely exaggerated expenditure on the part of the communes, since the numbers of those who pay taxes on real

estate and commercial transactions is too small to enable them to exercise any effective check on the growth of such expenditure. This state of things must be altered without fail. It is no part of our purpose to suggest that reform should take the shape of restrictions of municipal self-government. But self-government implies responsibility, and it is inconsistent with the sense of responsibility that the taxes should be imposed by one section of the citizens and paid by another. In order to establish the necessary connection between municipal income and municipal expenditure, we regard the introduction of a general contribution to the costs of administration as a necessity.

Such general contribution to the costs of administration should be imposed on all persons entitled to vote, and the manner of its collection should not be too complicated. That it is technically possible is shown by the conditions in Wurtemberg. In that State a contribution to the costs of administration has long existed in the form of the so-called "Inhabitants Tax". Its collection and administration do not encounter any greater difficulties in Wurtemberg than other forms of taxation do. This form of impost should be placed on a legal footing by legislation of the Reich, the communes being left free to impose sur-taxes of varying size on a basic amount to be determined by Reich legislation. A fixed proportion should be established between the contribution to the costs of administration and such taxes on real estate and commercial occupation as may remain for the time being, the idea being to avoid extremes in either direction.

It must be left to time to show whether this contribution to the costs of administration will be sufficient in conjunction with the remaining taxes on real estate and commercial transactions to serve as a flexible element of income in the budgets of the municipalities, without leading to exaggeration. To prevent such a contingency, we propose that with the

abolition of the Rents Tax and the system of rent-control a tax should be introduced on tenancies. It should be placed, like the contribution to administrative expenses, on a legal basis by legislation of the Reich, with provision for the imposition of communal (and possibly also State) sur-taxes on a basic amount to be fixed by legislation of the Reich. As the name suggests, the tax on tenancies should be collected in the form of percentages of the rent. For social reasons it is desirable that it should be graduated in accordance with the size of the dwelling and the number of children, so far as that is possible without excessive encumbering of the machinery of taxation.

6. Financial relations between Reich, States and communes.

The system of taxation by the States and communes in the near future should be based (in addition to the taxes transferred by the Reich and what is left of the taxes on real estate and commercial transactions) on the contribution towards the cost of administration and the tax on tenancies. This proposal is not to be understood as meaning that the whole of the losses of revenue arising for the States and communes out of the partial abolition of the taxes on real estate and commercial transactions and out of the diminution in the tax transfers of the Reich as a result of the reduction of the Income Tax is to be covered entirely out of the contribution to the costs of administration and the proposed tax on tenancies. If it were so, there would be a tendency to put these taxes up to an exaggerated extent, which is by no means part of the purpose of these proposals.

The tax transfers from the Reich should continue to constitute the principal sources of income of the States and communes. The losses of revenue as a result of the reduction in the transfers of Income Tax will be smaller than would appear at first sight from a consideration of the proposed reduction of the rates of the tax. It must be remembered that the abolition of the

obligation to produce the industrial charge and the lowering of the taxes on real estate and commercial transactions will increase the amount of earnings subject to the tax - and pro tanto the returns from the tax - to no inconsiderable extent. There is the further consideration that the reduction of the rates of the tax will be calculated to improve the morality of the taxpayers, which again will tend to diminish the falling off in the returns.

All these factors will tend to affect the amount transferable to the States and communes out of the proceeds of the Income and Corporation Income Taxes.

In so far as the losses of revenue of the States and communes as a result of the reduction in the taxes on real estate and commercial transactions cannot be covered either by reductions of expenditure, or by the contribution to the cost of administration, or the proposed tax on tenancies, the difference must be made good by the Reich. The Reich has the necessary resources for the purpose in the shape of the savings on reparations and the increased revenue from taxes on consumption. How large these transfers must be is a technical question, the solution of which will be found when the tax reforms come to be put in force. With a view however to eliminating the unhealthy element which is inherent in the system of transfers according to a fixed percentage, the transfers to the States and communes should be limited to a maximum amount. This will contribute appreciably to stabilise the finances of the States and communes.

Given the present system of financial relations between the Reich, States and communes, the reductions in the Income Tax and the taxes on real estate and commercial transactions are bound to affect the finances of the individual States very differently. It will therefore be necessary in conjunction with the reform of taxation, to make provisions for an improved

distribution of burdens, in order to supply the communes with the resources which they indispensably require for the fulfilment of their tasks. This object will be more readily attained if the deficiencies are met by restricting the range of activities and the expenditure of the communes in preference to endeavouring to increase income, which is what is generally done at present. Legislation of the Reich in this connection will be required.

Similarly during the short transition period in which the abolition of the taxes on real estate and commercial transactions for which we press is incomplete, provision must be made by a law on economic lines for the greater uniformity of taxation, to ensure that all States and communes follow the same principles of assessment in the imposition of these taxes.

Uniformity of taxation is the essential preliminary to the final settlement of the financial relations between Reich, States and communes.

7. Taxation of industrial enterprises of public bodies.

Publicly owned undertakings compete with private enterprises. The position of privilege which they enjoy in respect of taxation constitutes an unfair advantage in this competition. The legislature should make an end of such privilege, and should establish complete equality between public and private enterprises in so far as taxation is concerned.

E. Foreign trade and the stimulation of exports

1. The object of German commercial policy is to stimulate exports and to protect German production against the excessive import of foreign products. As the means available for the attainment of this end do not always harmonise with one another, it is intelligible that there should be considerable difficulty in the way of the accomplishment of these objects. The results achieved have been the subject of criticism both by exporters and by those

who champion the claims of labour. Such criticism goes however too far when it argues, as it often does, that commercial policy is primarily responsible for difficulties of marketing on the home and foreign markets. The most successful commercial policy can do but little to modify the fundamental changes which the war and the economic, financial and social policy of the country have created for German production and marketing at home and on the world market. Nor can it prevent the fluctuations of the business cycle in and outside Germany or their consequences for Germany.

As a result of highly laborious negotiations Germany has succeeded in obtaining a foothold once more in the international system of commercial treaty relations. German exports since 1925 have shown an upward trend, which must be maintained at all costs. To what extent this development is attributable to the commercial treaties cannot be determined with certainty. It is however a tenable view that the commercial treaties have to some extent fostered, or at any rate not obstructed, this development. That being so, it appears essential that the system of commercial treaties should be protected from interference of any kind. That is true, not only of tariff conventions, but even of treaties establishing merely most-favoured-nation treatment. The criticisms which have been passed in recent years on these treaties are in the main unfounded, with the exception perhaps of the German-American treaty which must be viewed in the light of other considerations. It also appears essential that the gaps in the system in Eastern and South-Eastern Europe should be closed as soon as possible.

2. The changes made in the German Customs Tariff in the period succeeding the war have aimed at giving German production the necessary protection against the less heavily encumbered foreign competition, while at the same time creating an instrument for the negotiation of commercial treaties.

The question to what extent the present German Tariff fulfils this double task will require close consideration when it comes up for revision. If the Federation of German Industry has pronounced in principle for prolongation of the Tariff Amendment Act of 1925 without change, it has done so in the belief that an all-round increase of German tariff rates is calculated to upset the system of commercial treaties, and so to endanger seriously the interests of industry. Where however urgent necessity justifies exceptional changes in particular rates, and there is no reason to anticipate danger for the system of commercial treaties, we recommend appropriate modifications. These considerations should in our view apply equally to industry and agriculture.

3. In view of the great part which the maintenance and extension of our foreign trade will play in the general economic development of Germany, more active measures to stimulate exports - using the expression in the direct sense of the term - are necessary. For details of what is required we refer to the memorandum of the Federation published with the title "Exportförderung" (stimulation of exports). But we would emphasise here the fact that only the sound organisation of internal conditions of production can afford the facilities which will enable the German producer to compete successfully in and outside Germany, and that it is only the stimulation of exports in this wider sense that can afford a basis for more direct action.

4. In the international field also Germany must in the future take a hand, if German interests are to be protected. The close association of Germany with the economic system of the world, and the fact that international economic policy is likely to play an increasing part in the future, make such co-operation on the part of Germany an essential.

F. Currency and credit policy

1. Germany is at present, and is likely anywhere in the near future to remain, a country in need of capital. Taking into account the annual increase in the wage-earning population, the need for the provision of dwellings which are at present lacking, the costs of rationalisation and other requirements, the minimum amount of essential capital improvements required in Germany may be put at 8 milliards of reichsmarks a year. To this must be added the reparation payments. The resulting total of 10 milliards has been taken during recent years, not out of internally accumulated capital, but out of foreign borrowings to the extent of on an average some 3 to 4 milliards annually during each of the years 1924 to 1928.

Securities to a total of something like 16 milliards of reichsmarks have been issued in Germany during the years 1924 to 1929, nearly 25 % of which have passed into foreign hands. Of these 16 milliards 9 milliards - very much more than half - represent issues of public bodies, so that private enterprise with all its extraordinarily heavy current requirements has had only a small proportion of the resources of the German capital market at its disposal. Such a position is in the long run intolerable. The abuses in the finances of a number of public administrations, in particular the communes (municipalities), are well known. It is certain that a great part of the capital borrowed in connection with municipal activities has not been used for purposes which justified the taking up of the loans. There has been a disproportionately large diversion of the available capital to objects for which it should never have been used. The borrowing requirements of the municipalities have steadily risen, to such an extent that both the long and short-term indebtedness of these bodies has to-day reached an alarming total.

They have not hesitated to take up loans on extremely unfavourable terms, merely because it was easier to cover up deficits by fresh borrowing than to get rid of them altogether by ruthless restriction of expenditure. The result has been that the terms for new loans over considerable periods are now such as to make productive employment of the same by private enterprise impossible. Private enterprise has in this way been excluded to an increasing degree from the capital market, and with the dearth of working resources production has become continually more difficult. The consequences are seen in the growing unemployment, which in its turn involves new burdens for the municipalities.

2. There is little prospect of the municipalities themselves realising in the near future that the high rates which they have agreed to pay for their loans are disorganising the capital market. Even if their eyes were opened, they would not be likely voluntarily to draw the moral. The special situation of Germany, and in particular the foreign obligations to which she is committed, make uniformity of financial policy an absolute necessity. It is intolerable that those responsible for the financial policy of the country should find their activities cut across by the action of other public bodies. We accordingly regard it as essential that some form of central control should be set up and actively exercised in regard to the borrowing activities of public enterprises, both in respect of their internal and their external loans and their long as well as their short-term indebtedness.

The extent of the indebtedness of the German municipalities is estimated at some 7 milliards of marks, of which 40 % or 2.8 milliards are loans of short or medium term. Great risks are inherent in this short-term indebtedness, and rapid reform of the position is imperatively necessary.

Public enterprise has also claimed an altogether predominant proportion of the long-term capital which has been available in foreign centres. Of the 7¼ milliards which are calculated above to represent the total of long-term foreign loans, 4⅛ milliards have gone to public and semi-public industrial undertakings, leaving only 2⅜ milliards for the requirements of private enterprise. Under these circumstances the control of the Advisory Board for Foreign Borrowing cannot be dispensed with. On the contrary the powers of the Board should be extended still further, in order to prevent the borrowers, whose exigencies it is endeavouring to curtail, from satisfying themselves elsewhere, as they at present do to a very considerable extent.

The central control of external and internal borrowing by public undertakings should in our view be exercised by the Finance Minister, who will not be able to dispense in this connection with the advice of the President of the Reichsbank. In this matter, as in the case of the budget, no stone should be left unturned to enforce financial uniformity throughout Germany. Guiding lines must be laid down with regard to interest rates, issue prices and dates of redemption, to be observed in the case of all public loans.

3. The disproportion between the capital requirements and the internal formation of capital in Germany renders necessary careful husbanding of such capital as is available and the investment on sound economic lines of such new capital as there is. Individuals will often not be in a position to select wisely. It is the undertakings of medium size, whose shares are dealt in on the spot markets of the German Stock Exchanges, which are most hampered in the financing of their business. The establishment and development of carefully administered investment trusts, which relieve the

individual to a certain extent of the risks and difficulties of capital investment, would be welcome in this connection. The introduction of such capital investment concerns is rendered very difficult under present circumstances in Germany by the legislation in regard to taxation. The much more favourable conditions for companies, and in particular for investment trust concerns in neighbouring countries such as Belgium, Holland, Luxemburg and Switzerland, frequently lead to the transference of undertakings to foreign countries when there is every material reason for their being in Germany. This tendency once begun can only be reversed at the cost of sacrifices. It must be counter-acted without delay by the reform of taxation, and above all by reduction of the taxes on companies and the abolition of the Corporation Income Tax and the Tax on Commercial Occupations for all investment trust concerns. If the present system of taxation is allowed to continue, the foundation of German capital investment companies in foreign countries must be expected on an increasing scale, with corresponding losses both to the German economy and to the Treasury which can never be made good.

IV. CONCENTRATION OF ALL ELEMENTS WORKING FOR RECOVERY.

1. The Federation of German Industry is convinced that economic decline can be averted and recovery assured in Germany along the lines which it has indicated. The proposed reforms must be accelerated and enforced on a comprehensive scale. They must be accelerated because the conditions, particularly the financial conditions, have become so acute that continuance of the present position involves the gravest dangers both for the finances and for the business of the country. They must be comprehensive, because partial or isolated reforms will not get rid of the fundamental evil, viz. the inadequate formation of capital.

We are well aware that thorough-going enforcement of the reforms implies sacrifices from all sides; but these sacrifices are essential if the business of the country and the country itself are to be saved from collapse. The success at which they aim, if attained, will repay the sacrifices demanded a hundredfold.

2. The beneficent results of increased formation of capital and acceleration of the process by which it is made available for production will make themselves felt both in the process of production as a whole and in relation to marketing and the purchasing power of the masses (improved standard of living). The possibility of increasing and cheapening the formation of capital by individual undertakings and by the national economy as a whole cannot fail to affect favourably the process of production in the direction of an improved and cheapened output of goods. Conditions on the home market will then improve both in respect of cost of production (prices) and in respect of purchasing power. German exports will enjoy increased power to compete on the world market, and the substitution of home-made products for

some of the products at present imported will diminish the country's obligations to foreign countries and increase to that extent its internal purchasing power.

The Federation has always taken the view that, next to expansion of exports to the utmost possible extent, an internal market with strong purchasing power offers the best basis for healthy economic development. It attaches for this reason the greatest possible importance to the active support of agriculture. The formation of capital, if it is made rapidly effective, will also do much to help agriculture out of its present desperate position.

The pursuit of all these objects will be in the end to the advantage of the German consumer, and will thus help to raise the standard of living and increase the national prosperity. Stimulus at one point after another of the economic cycle (facilitation of production by the increased formation of capital, facilitation of marketing at home and abroad, increase of sales, increase of the national income, improvement of the standard of living, with consequent increase and improvement of production and so on da capo) may thus enure to a real improvement in the economic prospects of Germany despite the reparation burdens.

3. The Federation of German Industry calls upon all elements working for the recovery of Germany to form a wide and united front in opposition to all hostile and uneconomic forces. We know that in our desire for such co-operation we are at one, not only with all the elements of private enterprise, but also with all those who recognise economic reason as the supreme principle in all economic dealings. The reforms for which we press will undoubtedly contribute to avert the direct dangers arising out of the perverse direction

of economic, financial and social policy. They will also contribute to the greater task of making an end of the progressive disintegration of the German economic system.

The demands of the Federation of German Industry are directed beyond the troubles and distresses of the moment to the goal of recovery by the business community of its economic freedom, which is itself the decisive condition precedent to the economic recovery and the ultimate liberation of the German people.

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ANNEX

DIRECTIVES FOR THE CHANGES TO BE MADE IN THE LEGAL POSITION WITH REGARD TO THE BUDGET OF THE REICH.

I.

It is essential that the Reichstag should restrict its right to authorise expenditure, so as to make it impossible for expenditure in the budget estimates to be raised or new items of expenditure to be included without the consent of the Government of the Reich, or for laws to be passed or resolutions adopted which provide for the increasing of expenditure in the budget estimates of the current year.

The same must apply to the increasing of revenue estimates in the draft budget, in the case of both Reichsrat and Reichstag alike.

The Reichstag must further so arrange its standing orders that bills by which expenditure is augmented are submitted to, and approved by the Budget Committee, and if necessary also by the Committee on Taxation, in addition to the committee under whose competence the bill falls, and that no committee proposals are submitted to the plenary session of the House except with the unanimous approval of the committees in question.

II.

Under present conditions it is not possible to dispense with the existing office of the Economy Commissioner of the Reich. But if the Economy Commissioner is to be so placed that he can perform his duties with complete success, his position must be strengthened in various directions. In the first place it would seem to be necessary to establish and consolidate his office by a law of the Reich constituting it as an authority of the Reich subject only to the law and independent of the Government of the Reich. In particular it must be the right and duty of the Commissioner, not merely at the request of the Government of the Reich, the Reichsrat or the Reichstag, but also on his

own initiative, to express official views to the Reichstag and the Reichsrat as well as to the Government of the Reich on questions relating to the efficiency of the current administration of the Reich, or the possibilities of simplification or curtailment of the cost of the same, as also on the draft budget estimates and on bills which may affect the budgetary administration of the Reich and the system of public expenditure.

In order to make it possible for the Economy Commissioner to perform such functions, he should be given the right by appropriate enactments, which might follow the lines of those governing the activities of the Court of Accounts, to conduct all requisite enquiries and to obtain all information which he considers to be necessary for the fulfilment of his duties.

The Economy Commissioner should further be authorised by law to take part in an advisory capacity in all meetings of the Government of the Reich, and to put forward proposals on all matters which relate to organisation or finance or are otherwise connected with his duties. In particular it should be laid down that his opinion must be heard by the Finance Minister of the Reich before consent is given to expenditure in excess of the budget estimates or to extra-budgetary expenditure.

The Economy Commissioner should further be entitled, in cases where the Finance Minister reaches a decision not in conformity with his (the Commissioner's) opinion, to appeal to the decision of the whole of the Government. It should further be stipulated that, for a resolution to be carried against the views of the Economy Commissioner, it must obtain a majority of all the Ministers of the Reich on a second reading, the Chancellor voting with the said majority.

Subject to the necessary amendments of the legislation with regard to the budgets of the States and communes, it would seem immediately practicable and desirable for the States to make more use of the Economy Commissioner, and to give him the necessary powers for the purpose on the lines of the present Directives.

Explanatory remarks on I and II.

a) General

It is the first and most important object of budget law to pay every consideration in connection with the public expenditure to the precarious financial position of the Reich, the States and the communes, and further to make economy the guiding principle of all departments concerned with the granting and administration of public resources; and to strengthen all forces working for the rational restriction of public expenditure. To this end it is urgently necessary - the reform is long overdue - to treat the total financial administration of the Reich, the States and the communes as a single indivisible whole and to insure the application of uniform principles in all branches of the public administration. Current legislation contains, it is true, a number of provisions directed towards this end; but in view of the significance and difficulty of the tasks to be accomplished they are not adequate for the purpose.

Under § 21 of the Fundamental Law on the Budget of the Reich, expenditure can only be voted by the Government of the Reich against the wish of the Finance Minister, if the majority of the members of the Government including the Chancellor insist on the proposed expenditure in spite of the veto of the Finance Minister. The Finance Minister has further the right to examine proposals of other members of the Government which are of financial importance before they are elaborated in their final form; and schemes for new laws, the execution of which would entail heavy costs, have to be communicated to him in due time. A veto of the Finance Minister against such measures can only be overcome by a special vote in the manner indicated (under Cabinet decisions of October 9, 1920, and October 21, 1923, and § 32 of the standing orders of the Government of the Reich of May 3, 1924). These provisions are based on the sound principle that the Finance Minister, as guardian of the budget, must have special privileges. They make it clear that decisionswhich override the Finance Minister's veto are intended to be confined to matters of the first importance and to be treated as having high political significance. Up to the present however the effect of the provisions cannot be said to be adequate, the main reason being that under the present constitutional position the Finance Minister is usually too closely bound up in the tug-of-war of party politics to allow of the necessary exercise of the privileges described in a full and independent manner. This has done much to prevent the necessity for

extreme economy in spending and for a really careful financial administration from obtaining recognition at the right time and in all departments as the central need of politics. In addition to all this there is no legislative enactment to prevent the Reichstag from authorising revenue or expenditure over and above the estimates and proposals of the Government of the Reich.

The Reichstag is called upon to restrict its own powers in this connection. But outside as well as inside Parliament it would seem necessary, and entirely compatible with the democratic and parliamentary conception of the constitution of the Reich and the administrative system built up on that constitution, to do more than has been done up to the present to promote general recognition of the necessity for restriction of expenditure as the central problem of this period of German history - a problem which takes precedence over all others, and can no more be handled in deference to the wishes of majorities than can any other big question of principle in foreign or domestic politics.

b) Explanatory remarks on I

The menacing growth in the financial requirements of the last few years is undoubtedly explained, not only by the increased expenditure votes inserted by the Government of the Reich in the draft budget estimates, but also (and mainly) by the fact that the legislative bodies on their own initiative have included in the budget new or increased expenditures, and passed laws entailing outlay, for which no provision was made in the budget. On the revenue side also the budget estimates have repeatedly been raised by the legislature during the last few years, not because it was of opinion that the revenue had been wrongly estimated by the Government but simply to provide budgetary cover for these parliamentary increases of expenditure. Measures of the kind are contrary to the principle underlying German budget law that the budget estimates are to be compiled by the Government of the Reich, and that the latter is alone responsible for the necessary computations. The increase of expenditure by the Reichstag without the consent of the Government, although not contrary to the letter of the German constitution, is opposed to the well-founded practice of other countries with a democratic and parliamentary constitution. It is essential that the Reichstag should itself restrict its rights in conformity with the practice in other countries. Where big political issues are at stake, the ultimate decision will still rest with the Reichstag,

for the Government of the Reich will continue to need the confidence of the Reichstag within the meaning of Article 54 of the constitution of the Reich. By such restriction of its own powers the Reichstag would be strengthening the principle of Government responsibility and would be making clear that only big decisions of general political importance are capable of inducing the Reichstag to diverge from the proposals and decisions of the Government which enjoys its confidence.

It is of special importance to make a binding rule preventing the Reichsrat and Reichstag from modifying the Government estimates of revenue.

In accordance with § 48 of the standing orders of the Reichstag, the voting on budget proposals does not as a rule take place until a committee has discussed them and has submitted an application; the proposals go to the Budget Committee, unless otherwise determined by the Reichstag. Experience of the last few years has shown that this provision is not sufficient. Arrangements must be made so that all bills, which influence the budget administration of the Reich either directly or indirectly, are carefully scrutinised from the financial point of view. There should be a clear legal provision that all bills of the kind must go before the Budget Committee. Similarly all bills likely to affect the system of taxation or the tax returns ought to go before the Committee on Taxation.

c) Explanatory remarks on II

As explained, the important point is that the necessity for a policy of saving should constantly be brought before the eyes of all parties concerned in its full significance, not with the object of taking political decisions out of the hands of the political elements, but in order to invest such decisions with a responsibility which does not belong to them to-day.

Much can be done in this direction by extending the office of the Economy Commissioner of the Reich. The Economy Commissioner has undoubtedly done much valuable work behind the scenes. But his activities have not had their full effect, mainly because he has lacked the necessary independence and freedom.

At the present time the Economy Commissioner holds his office subject to confirmation by the Government of the Reich. With every change of Government therefore his appointment requires fresh confirmation, a state of

affairs which is not compatible with the necessity which there obviously is under present circumstances for independent work by the Commissioner over a long period.

The Economy Commissioner exercises his functions of "expressing opinions and formulating proposals calculated to promote an efficient, simplified and economical system of administration and of budgetary practice as a whole" at the request of the competent Minister of the Reich. If on his own initiative he desires to express an opinion or to put forward proposals, he must do so by prior agreement with the competent Minister. The Economy Commissioner is accordingly not in a position within the limits set him to determine his own activities or to lay down the order of his investigations. This may all too easily mean that important administrative and legislative questions which require his examination cannot be included in his investigations.

Under the present regulations moreover, the Economy Commissioner is only called upon to advise the Government of the Reich, which is under no obligation to bring his observations to the notice of the Reichsrat and the Reichstag. Nor has the Commissioner any legal opportunity of addressing the Reichstag direct. It is indeed customary to present to the Reichstag any of the Commissioner's reports of which it wishes to be informed: but the Reichstag has first to agree to express such a wish.

It accordingly appears advisable to extend the office of the Economy Commissioner for a given period beyond its present limits in law, and to make his activities independent. It is proposed to attain this object by the measures suggested in section I above. It is a question of extraordinary measures for a period in which Germany's political, financial and economic situation is specially endangered. It may be that, once the dangers of the present situation are overcome, the ordinary legislation will suffice to insure proper budgetary administration. For the present however the proposed extension of the Economy Commissioner's powers is essential, and should therefore be fixed by a law of the Reich for a definite period. For the duration of the law the Economy Commissioner should rank as an independent department of the Reich subject only to the law, with a position similar to that of the Court of Accounts. He must accordingly be empowered and required to express opinions of his own accord without request from Government, Reichsrat or Reichstag, to enable him effectively to champion <u>vis-à-vis</u> the Government,

the Reichsrat, the Reichstag and public opinion the cause of sound economic administration. In this connection publicity - first and best foundation of all constitutional and parliamentary control of the budget - is a requisite of the first importance. If his activities are to be effective, the Economy Commissioner must be given a direct insight into the administrative machinery and its working.

The necessary regulations for the purpose can be very largely modelled on the Fundamental Law on the Budget. The Economy Commissioner must be entitled to enquire into every branch of the administration, with the right to make enquiries on the spot or to delegate experts for the purpose, in which connection it will be necessary to keep in touch with the competent Ministers. All heads of departments must be required by law to furnish the Economy Commissioner with all such information or documentary evidence as he may need for the expression of his opinion.

The results of the Economy Commissioner's work will come up in the normal course for discussion and decision by the Government. In order to insure that the opinion of the Commissioner carries sufficient weight, it appears advisable to give him legal authority to attend all meetings of the Government together with the right to introduce motions, in order to insure closer discussion and decision of questions which in his opinion require elucidation. In particular he should be entitled to take the decision of the Government on points on which the Finance Minister has over-ridden his expressed opinion. A particularly important case where the Economy Commissioner should be consulted before a decision is taken by the Finance Minister is the case of approval of expenditure in excess of the budget or extra-budgetary expenditure. Special reference to such cases is made in the text. It appears advisable to treat such cases in the same way as majority decisions of the Government against the Finance Minister under § 21 of the Fundamental Law on the Budget. In this way it is hoped to insure proper attention on the part of the Government to the recommendations of the Commissioner. It should be made clear that only very special reasons can justify a decision to depart from the view taken by the Economy Commissioner, and that political importance attaches to any such decision. Accordingly the Directives provide that, where the Finance Minister differs from the Commissioner, the provisions of § 21 of the Fundamental Law on the Budget shall govern the voting of the Government: that is to say, a decision of the

Government at variance with the views of the Commissioner will require a second vote by the Cabinet and a majority which must include the Chancellor.

The Economy Commissioner has already powers to survey the institutions and activities of State and communal authorities. But his powers in this direction are not systematised and there are no proper general regulations governing his relations with the State Governments and Parliaments. Yet it is precisely in connection with the administration of the States that the activities of the Economy Commissioner are especially needed. It is here that an independent advisor is required, one who is free from that inter-locking of State politics and State administration which is so frequently encountered, and will approach problems of budget policy or administrative organisations from the broader standpoint of economy simplicity and efficiency on uniform lines through the Reich and adjustment to modern conditions of the frequently incongruous habits of the past. It is urgently necessary to open up this field to the Economy Commissioner. The States and communes must recognise the signs of the times, and be prepared to take advantage of the advice and supervision of an independent authority to the same extent as is proposed in these Directives in the case of the budget and the undertakings of the Reich.

Closer consideration will be required to determine how these recommendations are to be given effect in law. One thing is sure, that the will to proceed along these lines has hitherto been very largely lacking. Difficulties of law must not be allowed permanently to block solutions essential to the welfare of the Reich.

III.

The possibility of covering expenditure out of loans must be restricted by provisions which give the legislative bodies timely and forcible warning of the inherent dangers, and further clearly define what expenditure may be legitimately met by borrowing. Similarly steps must be taken to prevent non-recurrent exceptional revenue being allocated to cover recurrent expenditure.

Under no circumstances must fresh expenditure be incurred during the next five years in the extraordinary budget to be covered by loans.

Where such expenditure has been incurred in the financial year 1929, the lines on which it is to be financed during the period over which it extends must be clearly laid down.

Explanatory remarks on III

The notoriously unfavourable position, into which the finances of the Reich have got, the visible results of which are to be found in the so-called "cash difficulties" of the past year, is very largely due to the line taken in regard to the extraordinary budget. The policy of unrestricted expenditure under this budget has been rendered possible only by the complete absence of definite regulations as to what constitutes extraordinary expenditure or any guiding principles for financing it. For the most part it has been impossible to give any effect to the authority to borrow, which has constituted the - paper - cover for the extraordinary expenditure voted. The consequence has been an accumulation of these "authorities to borrow" on the one hand and on the other hand the locking up on an increasing scale in the extraordinary budget of ordinary budget funds. Discussion of the question "Taxes or Loans ?" has always been futile. Under the existing system the inclusion of expenditure in the extraordinary budget presupposes tacitly that the cover can effectively be raised out of loans. It must be made clear that the voting of a loan is a very serious step, the consequences of which cannot always be foreseen, a step which should only be taken after due consideration. In particular the issue prospects of loans voted require examination.

§ 8a sentence 1 of the Fundamental Law on the Budget of the Reich as amended by the Amending Law provides that the authority to borrow shall be determined afresh each year in the budget law. This is designed to prevent authority to borrow granted in previous years, which has not been exercised, from continuing in force without being voted afresh. We have nothing against this provision: but we contend that more far-reaching regulations are desirable.

In the first place a sharp distinction should be made between extraordinary expenditure and ordinary expenditure.

Secondly exhaustive principles are required in respect of borrowing, minutely defining expenditure which can legitimately be covered by loans both from the financial and from the legal standpoint.

It would also keep down the recourse to loans if the principle were accepted that non-recurrent exceptional revenue may under no circumstances be devoted to the cover of recurrent expenditure.

Even under the existing provisions of the Fundamental Law the inclusion in the ordinary budget of non-recurrent extraordinary revenue surpluses from previous years, exceptional receipts from seigniorage on the coinage and the like is prohibited. In practice however these prohibitions have been ignored, in some cases by temporarily suspending the provisions in question in the annual budget law.

The result of this practice has been that, after the disappearance of the non-recurrent receipts, there has been no cover for the recurrent expenditure based thereon, and the task of balancing the budget has become increasingly difficult.

It is therefore essential that the provisions in question of the Fundamental Law should be strictly observed. Possibly exceptions might be permitted subject to the qualified approval of the Reichstag.

The possibility of budget reform on the lines suggested by Dr Neumark in his book "The Budget of the Reich" * might also be considered. Neumark proposes to substitute the following scheme for the present divided budget:

A. Revenue

I. Ordinary
II. Extraordinary (not including loans)

B. Expenditure

I. Ordinary
   a) recurrent
   b) non-recurrent
II. Extraordinary

the total ordinary and extraordinary revenue (not including loans) being balanced against the total ordinary and extraordinary expenditure.

Such a remodelling of the form of the budget should eliminate a number of obscurities which have hitherto been possible as a result of entries twice over and the like. The final balancing will then show a deficit where such exists. It is proposed that a special decision should be required as to whether it shall or shall not be covered by borrowing.

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* Neumark "Der Reichshaushaltplan", Jena 1929, p. 207 ff.

The same idea is expressed even more forcibly in the Prussian system of special laws for loans.

These fundamental provisions are not however sufficient to overcome the present difficulties of the extraordinary budget. If order is to be restored in the extraordinary budget a prohibitive law would appear to be advisable for the next five years, as it will scarcely be possible to redeem the "advances" of the ordinary budget amounting roughly to RM 900 millions before that time. The extraordinary expenditure undertaken in 1929 is not to be affected by this prohibition, since for economic reasons a cessation of the work inaugurated appears undesirable. The governing lines for the proper discharge of such expenditure should be specifically laid down. The cover for such expenditure ought not however to be provided by borrowing but by recourse to other extraordinary revenue.

IV.

Under the annual budget laws of recent years the last 10 % of the funds voted for material expenditure may not, save in cases where a legal obligation has been incurred, be disposed of without the previous assent of the Finance Minister. This provision should be made legally binding for at least five years to come.

Explanatory remarks on IV

In view of the difficult financial position of the Reich, which appears likely to continue for several years, it appears advisable to strengthen the powers of the Finance Minister by every means, so that as the responsible guardian of the balance between revenue and expenditure and of uniform financial policy, he may be in a position to adjust expenditure to the cash position at any time to the greatest possible extent. To this end the provisions of § 14 paragraph 3 of the 1929 budget law should be retained for the next five years at least. It may be pointed out that the United States as well as other countries have for years past obtained extremely satisfactory results in the direction of economical budgeting from what is known as the "general reserve system".

V.

Expenditure in excess of the estimates in the course of a budget year should be restricted to the absolutely unavoidable minimum and, where possible, should be postponed until the next financial year. Where such expenditure appears unavoidable, it should in principle be included in a supplementary budget so that a clear conception of the cover to be provided may be obtained. Similarly individual laws passed in the course of the year, involving a recurrent charge of more than RM 100,000 or a non-recurrent charge of more than RM 1,000,000, should be accompanied by proposals for the cover required, which must be clearly explained in the explanatory memorandum attached to the bill.

Where it is impossible to include such expenditure in a supplementary budget, large sums in excess of the estimates should only be expended with the previous assent of the Budget Committee of the Reichstag, except in cases where delay is dangerous and the Budget Committee is not sitting. In addition the provision that quarterly statements of excess expenditure must be submitted to the Budget Committee of the Reichstag should be incorporated in the Fundamental Law. Expenditure in excess of the estimates should be explained in full detail in the final appropriation accounts.

Explanatory remarks on V

A budget on the scale of the German budget cannot be expected to provide for any and every need that may arise in the course of a year. But although expenditure in excess of the estimates is not altogether to be avoided, such expenditure must be restricted to the absolute minimum for the reason that it seriously endangers the stability of the budget and the Treasury.

In principle supplementary estimates are to be preferred on financial and political grounds to excess expenditure and extra-budgetary expenditure; for such estimates must provide corresponding cover, and in addition to the Finance Minister's approval (which is alone sufficient when estimates are

merely to be exceeded) they require the assent of Parliament - a circumstance which in general insures closer supervision. Moreover the presentation of supplementary estimates brings excess expenditure to the notice of the legislature much sooner than in the case of simple excess and extra-budgetary expenditure, which only appears in the appropriation accounts. Admittedly supplementary estimates are in themselves an evil, which can only be tolerated in periods of transition or in very special circumstances. They must not be allowed to become - as is unfortunately the case in the Reich - a regular feature of budget administration, particularly as experience has shown that they are frequently not debated so thoroughly as the budget proper, and they are also apt to give rise to fresh expenditure proposals from the legislative bodies. It is further essential to make sure that the revenue appropriated to cover supplementary estimates is actually available, that is to say that it does not simply represent an arbitrary increase of the estimates.

It has several times occurred that bills have been introduced by the Government without any clear idea being given of the cost of their application or of the cover for the expenditure incurred. But it is essential to the maintenance of budgetary stability that the explanatory memorandum to any such bill should always furnish an exact calculation of the expenditure involved and the proposed method of covering the same, even where such expenditure is shortly to be included in a supplementary budget. In this way extra-budgetary liabilities, the exact amount of which is unknown and for which no cover is provided in the budget, will be avoided. A provision to this effect should be incorporated in the Fundamental Law on the Budget under § 8.

Where it is altogether impossible to avoid exceeding the estimates, such excess expenditure should be subject to special provisions. The previous assent of the Finance Minister, which is stipulated in § 33 paragraph 1 of the Fundamental Law - but is actually not always sought - is clearly not in itself an effective check. It appears advisable therefore to add the provision that excess expenditure of more than RM 10,000 shall be notified to the Budget Committee of the Reichstag in quarterly statements, such statements to be transmitted not later than one month after the expiration of the quarter in which the expenditure was incurred. Secondly it should be stipulated that large sums in excess of the estimates shall - in accordance with the Austrian example, as recommended by the 1928 Conference of German Jurists (see

Directives Part II) - in principle not be expended without the approval of the Budget Committee, such approval to be dispensed with only in cases of exceptional urgency. Further § 14 of the 1928 budget law should be incorporated in the Fundamental Law, and supplemented in such a way that special emphasis is laid on "demonstrable urgency" as a justification for excess expenditure.

In view of the inadequacies of the present system it also appears advisable to demand a careful and explicit explanation of excess expenditure in the appropriation accounts, if only by reason of the ill-defined nature of "unavoidable necessity" within the meaning of § 33 of the Fundamental Law. It is not sufficient to justify excess expenditure by pointing to the inadequacy of the original budget estimates. It has rather to be made clear in detail why the sums voted in the budget have not sufficed and could not suffice. In addition any considerable excess of receipts or payments above or below the estimates should in future be explained in the appropriation accounts, as has been recently demanded by the Reichstag Sub-Committee dealing with these accounts.

Lastly it is essential that gross infringements of the provisions relating to the permissibility of excess expenditure should be dealt with under §§ 32 and 33 of the Fundamental Law: that is to say, the officials responsible for such infringements should be called to account and required to make good the necessary payments, as and when their offence is established.

VI.

Only very special reasons should be admitted in justification of the carry-over of recurrent votes from one budget to another. Anticipatory expenditure - that is to say, excess expenditure on carry-over expenditure items - should only be permitted where there is a certainty that an equivalent amount will be saved on the votes for the ensuing financial year.

Explanatory remarks on VI

The advisability of allowing what are known as carry-over votes is still an open question, at any rate in so far as expenditure other than non-recurrent and extraordinary expenditure is concerned. Admittedly the dangers to the

budgetary and cash position inherent in the existence of unknown outstanding balances are reduced by the new regulations on the intervention of the Finance Minister in the discharge of such balances and by the "List of outstanding balances", the regular presentation of which however still requires to be made obligatory by law. Even so the utmost restriction of carry-over votes is still necessary, if obscurities and abuses are to be avoided. That abuses are possible has been pointed out by the Court of Accounts in its last two memoranda, as also the fact that under a number of headings it would have been possible to reduce the outstanding balances. The reduction of such balances is particularly important when budget and cash conditions are as difficult as they are at the present time. The provision of § 6 paragraph 4 of the Regulations, in virtue of which recurrent expenditure votes may only be carried over "where it can be proved that carrying over renders more economical administration possible", should therefore be much more strictly applied so that recourse is only had to this practice in rare and exceptional circumstances.

As has also been pointed out by the Court of Accounts, the inclusion of ordinary receipts (e.g. profits from seigniorage on the coinage and surpluses from the Post Office) under outstanding balances may in certain circumstances give a false picture in the final appropriation accounts. It should be prohibited entirely.

Under certain circumstances the anticipation of sums voted for the ensuing year may be desirable in the interests of sound budget administration. Anticipatory expenditure may also be unavoidable by reason of the very nature of carry-over votes. The experiences of the last few years have however shown that such anticipatory expenditure ought not to be allowed to result in the exceeding of the sums voted for one and the same purpose for several years, but should merely represent a re-adjustment of the distribution of funds over a given period. Consequently excess expenditure in any one year should be offset by a corresponding reduction of expenditure in the ensuing year. In the past this precaution has been neglected in a number of cases. Occasionally anticipatory expenditure to the extent of 100 % and even more has been incurred. The result was that any subsequent expenditure on regular lines became impossible, and ultimately it became necessary to recognise the expenditures in question as excess expenditures and show them as such.

VII.

The rule that expenditure may only be incurred for the purposes for which it was voted should be strictly observed. Permission to utilise the sums voted as reciprocal cover should be restricted to those cases where an exception appears essential for economic reasons. The inter-changeability of carry-over facilities and facilities for reciprocal cover should be prohibited.

Explanatory remarks on VII

The reciprocal transfer of budget funds (i.e. the transfer of grants from one vote to another) is open to serious financial and political objections. It may easily lead to concealment, and it renders control difficult. Until recently there were no regulations specifying the circumstances in which funds may be reciprocally transferred. § 6 paragraph 3 of the "Regulations for the Departments of the Reich" now lays down that permission to transfer funds reciprocally may only be requested "when similar or closely related expenditures are to be effected, and the selection of one or other of the headings is of no fundamental importance from the standpoint of budgetary administration". The strict observance of this provision is necessary for the reason that the Court of Accounts has ascertained (in its Memorandum on the appropriation accounts for 1925, page 8) that upon occasion funds voted for entirely different purposes have been declared reciprocally transferable; which, needless to say, afforded opportunities for abuse. Such opportunities are particularly great, as pointed out by the Court of Accounts, when reciprocal transfer is extended to carry-over votes. § 31 paragraph 2 of the Fundamental Law as amended by the Amending Law accordingly proposes to restrict the extension of reciprocal transfer to carry-over votes in future to "special cases", without further defining what is meant by special cases or under what circumstances they arise. In practice it is no doubt hardly possible to specify in advance the precise cases in which reciprocal transfer should be admitted. That does not however mean that no attempts should be made to lay down limits: on the contrary it appears desirable to preclude reciprocal transfer in the case of carry-over votes altogether. § 31 paragraph 2 of the Fundamental Law as amended by the Amending Law should be suppressed altogether.

VIII.

The labours of the Court of Accounts should be accelerated and intensified. With this object the powers which it has for the control of the budget and the audit of the accounts should be extended, and the openings for its intervention in the administration should be strengthened. Above all the right of the Court of Accounts to investigate the business of concerns in which the Reich has a share should be extended to those undertakings for which the Reich has given guarantees or concluded agreements involving such. In all these cases a thorough investigation of the concerns, in particular their profit-earning capacity, is required.

Explanatory remarks on VIII

Apart from the expansion of the legal powers of the Economy Commissioner, as advocated in Section I above, it is essential to enable and compel the Court of Accounts to intensify and accelerate its activities. The object should be that it should submit its memoranda and observations six to nine months after the close of the year to which they apply, so as to enable advantage to be taken of them in the discussions of the budget for the next year but one. If the results of the investigations of the Court cannot be communicated to the Government and legislature until years after the close of the financial year to which they apply, they lose a great part of their meaning and effect. If necessary, the staff of the Court must be increased. In the selection of its employees insistence should be laid on the highest possible personal and material qualifications. A change in the numbers of staff alone cannot of course have the desired results. It will further be necessary to extend the regulations which govern and define the scope of the Court's activities.

Above all it must be made clear that the Court of Accounts is entitled and required, not only to audit the accounts, but to control the entire system of budgeting.

For the investigation of industrial undertakings the Court under the Fundamental Law has only limited powers.

Under § 111 and following of the Fundamental Law the competent Minister of the Reich is required to investigate the activities of the Reich in the capacity of shareholder or partner; but there is no obligation or possibility of investigating whether, and to what extent, the Company itself is protecting the interests of the Reich. Such control should be made possible by appropriate modification of the Fundamental Law both for the competent Minister and for the Court of Accounts.

The activities of the Court of Accounts are also undesirably restricted by the fact that its investigations are confined to companies in which the Reich has a holding, and do not extend to the subsidiary foundations of these companies. It appears therefore to be desirable to prescribe that the subsidiary foundations should also be liable to investigation under the Fundamental Law, i.e. the subsidiary foundations of holding companies, part of whose share capital is held by the Reich.

In the case of agreements involving guarantees on the part of the Reich the investigation is confined to the concern of the beneficiary under the guarantee, so that there is no possibility of investigating the actual undertaking, for the activities of which the Reich has accepted responsibility. The investigation is moreover confined to the ascertaining of the conditions on which the guarantee of the Reich is given. These provisions are not even sufficient, as the Court of Accounts points out in its report on the accounts of the Reich for 1926 (p. 44), to make possible any enquiry into undertakings with legal personality of their own, "which are continually receiving subsidies from the Reich of such magnitude that, so far as the sources of their income are concerned, these undertakings are in many cases undistinguishable to all intents and purposes from official departments of the Reich". Although, as the Court points out, it has been possible to get over the difficulty by obtaining information from the competent Ministers, an extension of the legal provisions as proposed in § 45 c of the Fundamental Law as amended by the Amending Law is nevertheless indicated. It should be specifically stated that the concerns are to submit their activities to investigation with recourse if necessary to special business experts with technical knowledge. Where necessary, the Court of Accounts should make suggestions for changes in the conduct of business.

IX.

The Reichstag should be in a position to investigate the draft budget with more fullness than has hitherto been the case. For this purpose it appears necessary for the draft budget to be submitted to the Reichstag on December 10 instead of January 5.

Explanatory remarks on IX

The experience of recent years has shown that a period of barely three months is not sufficient for thorough discussion of the budget in the Reichstag. Apart from limitation of the time allowed for its discussion, which is undesirable on material grounds, the inadequacy of the current regulations has frequently made it necessary to introduce emergency budgets, the financial and political disadvantages of which are recognised on all hands. On the other hand in the interests of precision the length of time allowed between the drawing up of the draft and the coming in force of the budget as voted should not be too long. For this reason, though the date for the introduction of the draft in the Reichsrat (November 1) cannot well be put earlier, a period of six weeks (from November 1 to December 10) is indicated - and should be sufficient - for the discussion of the proposals by the Reichsrat, always pre-supposing that the Government is itself up to time in its submission of the draft.

If the date for the introduction of the draft budget is thus put earlier, the Reichstag should be able to take the first reading of the draft in plenary session and pass it on to the Budget Committee before the Christmas holidays. These proposals will at once make possible more thorough discussion and more rapid passing of the budget.

X.

An appropriate discount should be accorded for payments, e.g. of taxes, before the due date.

Explanatory remarks on X

The grant of a discount on anticipatory payments of taxes is equitable, and from the standpoint of the Treasury desirable, since it enables the taxpayer without loss to himself to help in the solution of the problem of cash difficulties. The legal possibility of such a measure has long since been to hand under the legislation with regard to the budget (see for example § 5 c of the Fundamental Law as amended 1929). Hitherto no advantage has been taken of this possibility. It is necessary therefore to make appropriate provision with permanent effect. Discount is given widely in such cases in the United States and in other countries, particularly in England in the case of advance payments of income tax.

The amount of the discount, which should be fixed with due regard to current private discount rates, should be left to the decision of the Finance Minister.

Transl. 7615
QW.

I.I.9.4140 DOC. 323

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 19, 1929.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT NOVEMBER 30, 1929.

(cf. DOC. 321)

The following is a translation of the balance sheet of the Rentenbank as at November 30, 1929, as published in the Reichsanzeiger No. 294 of December December 17, 1929.

	October 31, 1929	November 30, 1929
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on Oct. 31, Rt. M 899,844,000 as on Nov. 30, Rt. M 899,844,000		
Loan to the Reich	561,576,283.14	550,605,129.29
Outstanding claim (Rentenbank-Kreditanstalt)	14,072,493.-	13,126,030.60
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	35,591,007.76	36,539,855.65
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	2,532,423.80	2,632,615.17

LIABILITIES	October 31, 1929	November 30, 1929
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	421,255,287.-	410,284,133.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.-	156,000.-
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,885,320.82	6,884,120.82
Miscellaneous liabilities	500,669.70	543,088.92

There have been paid into the sinking fund at the Reichsbank in virtue of § 7a of the Law for the Liquidation of Rentenbank notes RtM 10,971,153.85 on account of interest received from the properties subject to the agricultural charge, and the loan to the Reich and the circulation of rentenbank notes are diminished accordingly.

Since the coming into force of the Liquidation Law the following amounts of rentenbank notes have been amortised:

Rt.M	336,726,498.25	under § 7a of the Law
	300,000,000.-	" § 7b " " "
	82,750,870.75	" § 7c " " "
	880,334,583.-	" § 11 " " "
Total	Rt.M 1,599,811,952.-	

Transl. 7666.
MH.

I.I. 9.331 DOC. 324

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 19, 1929.

FINANCIAL PROGRAMME OF REICH GOVERNMENT

Declaration made in Reichstag by Chancellor on behalf of Reich Government, December 12, 1929.

(Translation from official report).

President Loebe: The Chancellor has the word for an explanation of the situation.

Müller, Chancellor of the Reich:

Ladies and gentlemen, under the fundamental budget law of the Reich, the draft budget must be submitted to the Reichstag by November 1 and for decision to the Reichstag by January 5 at the latest. It has not been possible to submit the draft to the Reichsrat within the time fixed and it is already a matter of certainty that it will also not be possible to keep the fixed day in the case of the Reichstag. The Government of the Reich regrets that this should be the case, but the delay is due to special circumstances. The structure of the budget for 1930 is closely dependent on the question as to whether the Young Plan will be accepted by the Governments concerned or not. The answer to this question is however still doubtful. After laborious preliminary work, the various committees succeeded in terminating their task and the Committee of Legal Experts in Brussels is even now discussing the last details. The actual and final decisions will only be taken by the final conference to be held at The Hague in January of next year.

After it was clear that the final decisions in connection with the Young Plan were going to occupy a considerable time, the Government of the Reich decided weeks ago to submit questions concerning a reform of the Reich finances to the Reichstag before Christmas. I asked the President of the Reichstag some time ago to arrange that the coming debates on the customs bill should be followed by a debate on the fundamental reorganisation of the Reich finances. I proposed December 13 as the date for this discussion. It is therefore taking place a day earlier.

The discussions in connection with the memorandum submitted by the President of the Reichsbank, Dr Schacht, set the ball rolling for to-day's debate. When I must refer in my explanations to the statements published by Dr Schacht I will of course bear in mind loyally the fact that he is not present with us to-day. I am however all the more able freely to discuss the questions before us, seeing that they have already been repeatedly thrashed out with the President of the Reichsbank, and that at the time just preceding the publication of the memorandum.

(Hear! Hear! from the Social-Democrats)

If I find myself obliged to criticise the statements of Dr Schacht, that implies no lack of appreciation of his great services as first German Expert to the Paris Conference.

(Interruptions from the Communists)

History will recognise the work accomplished by the German experts at the Paris Conference. On the otherhand, I must repeat the statement made by the Government of the Reich in its official declaration of December 6 that it regarded the publication of the President of the Reichsbank with astonishment. The Government of the Reich refused to discuss the memorandum in its official declaration, but at the same time remarked

that it intended to give the Reichstag to which alone it is responsible, an opportunity for discussion.

With reference to the questions touching the reparations policy mentioned in the Schacht memorandum, I must first of all say that the Government of the Reich discussed the matter confidentially and in detail before the Foreign Affairs Committee of the Reichstag a short time ago. For reasons which, in consideration of the preparations for the final Hague Conference, are still present, I must endeavour to preserve a certain amount of reserve when discussing some of the points. This will however only occur where the interests of the country urgently require it.

I shall begin by a general remark. Dr Schacht's memorandum deals in the main with points which occupied the attention of our Experts during the Paris negotiations, although they too were unfortunately not able to obtain that amount of success which would have best corresponded with German requirements and which they themselves desired. On some of these points it was not even possible to show the German reasons for opposing the detailed interpretations of the other side.

(Hear! Hear! from the Nationalists)

The Government of the Reich regretted this as much as the German Experts. It has however never reproached the German Experts, for the latter most certainly did all in their power to obtain more favourable conditions.

Reproaches are made in connection with the reparations policy on two points. It is stated that the Government of the Reich has waived rights appertaining to it under the Young Plan both at the first Hague Conference and since that date, and that it has made concessions over and above the burdens already fixed in the Young Plan.

The Experts' Report left the decision in a number of questions to the Governments concerned. The reason is to be found in the fact that the experts did not succeed in enforcing the German argument on these points. The provisions on these points are to some extent capable of more than one interpretation, while to some extent they contained clear decisions unfavourable to Germany. It was just as impossible to impose the German point of view on these points at The Hague and later as it had been during the Paris Conference. The Government of the Reich deplores as much as anyone - and I am the last to deny it - that the other side has not shown the understanding and accommodation for our difficult position which we were entitled to expect during the negotiations of the past few months.

(Hear! Hear! from the Nationalists)

You will remember the severe struggle which the late Dr Stresemann and his colleagues were forced to engage in at The Hague.

What are the presumable disadvantageous modifications which are said to have been introduced into the Experts' Plan? Germany is said to have renounced at The Hague the five months' balance of 400 million reichsmarks, to have assumed an additional burden of 19½ millions in respect of the Belgian mark agreement and to have raised the unprotected portion of the annuities.

As regards the surplus of 400 million reichsmarks resulting from the fact that the Young Plan year begins on April 1 of the present year, whereas the Dawes payments cover down to the end of August 1929, paragraphs 83 and 84 of the Young Plan and paragraph 192 of the Annex provide - I quote textually - that they "should be treated as payments necessary to cover the requirements of the creditor nations during this transition period".

Paragraph 84 continues: "Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus, as well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the new Plan shall be settled and adjusted between the Governments."

According to the text of the Young Plan, Germany cannot therefore claim these surpluses without further ado. The Government of the Reich shares the fate of the Experts who were unable to obtain a more satisfactory settlement of the surplus problem for Germany.

This was the necessary result of the increased British demands made at The Hague, to satisfy which a number of the creditor Governments were forced to make sacrifices. Had such a solution not been found, The Hague Conference might have failed, as we all remember.

In answer to the statement that the relief for Germany during the first few years will be reduced by the increase in the unprotected part of the annuity, it must be stated that the annual charge actually remains the same. It is only in the case of a transfer moratorium that the amount to be transferred is slightly increased. But in such a case it would not so much matter whether 660 or 700 millions had to be transferred annually; the real issue would be the transfer or non-transfer of the very much bigger figures of the total amount due.

Germany has been negotiating on the Belgian mark question with various breaks ever since 1919. After all the negotiations had ended unsatisfactorily, the German Government proposed to the Belgian Government in Geneva in September 1928 that negotiations should be conducted simultaneously with the experts' negotiations. The undertaking to do so was therefore given before the experts began to negotiate.

(Disturbance among the Nationalists)

In Annex VI to the Young Plan all the Experts - including the Germans - recognised that Belgium could not reasonably be expected to sign the report except on the understanding that an agreement for the settlement of the mark question would be reached.

(Very true! from the Left)

The Belgian Government accordingly made its acceptance of the Young Plan dependent on this condition. There cannot therefore very well be any question of a subsequent additional charge over and above the Young Plan.

(Very true! from the Left - Laughter and contradiction from the Nationalists)

Gentlemen , you will shortly be in a position to counter this statement. What I have said corresponds entirely with events since 1928.

(Agreement from the Left)

Amongst the new burdens which Germany is said to have assumed since The Hague Conference, special reference is made to the claims against the Polish State and finally to the payments if any which may result from a subsequent agreement between Germany and France on the Saar.

The Germano-Polish Agreement is based on recommendations contained in Part 9 of the Young Plan, and forms at the same time a continuation of earlier negotiations with the Polish Government on matters of liquidation and financial compensation. In the agreement both Germany and Poland renounced a number of financial claims.

(Interruptions from the Nationalists)

I think that you will have an opportunity to discuss the matter when the agreement is submitted to you and you are in a position to accept or reject it.

(Deputy Stubbendorff: It will however have already been initialled)

Yes, Herr Deputy Stubbendorff, but the initialling is not the important point. I would never have believed that you would feel yourself bound by the initialling of an agreement. It is correct that the concessions made entail compensation of the German creditors by the Reich. We have however only agreed to these concessions in exchange for valuable concessions on the part of Poland.

(Laughter from the Nationalists and the National-Socialists)

Gentlemen, it is for you to decide on this point and in this connection you will also have to consider the agreement in regard to its significance for the measures to crush the German element which are contemplated on the other side of the frontier.

(Interruption from the Nationalists: And will be applied to the full!)

Poland waives the right to further liquidations and to repurchase which it claimed in connection with sales of property. Where therefore Germany has assumed certain burdens in the purely financial sections of the agreement, these burdens are compensated by important concessions on the part of Poland in other directions.

(Laughter from the Nationalists)

Questions connected with the Saar, in respect of which a basis for Franco-German agreement is being sought at the present time, require special consideration. The negotiations are not based on the Young Plan but have been opened with the desire to obtain a final liquidation of all outstanding political questions. It is impossible to forecast the result at the present time.

Ladies and Gentlemen. I now turn to the inner political questions (in so far as they are financial in character) which are so closely connected with the international discussions on reparations.

(Hear! Hear! from the Right)

The general financial programme of the Government, which I am submitting to the Reichstag to-day in its main outlines, includes measures for re-organising the finances of Germany and relieving the Treasury, more especially by increasing the revenues for unemployment insurance, together with a comprehensive programme of taxation.

The presentation of such a programme has been impatiently called for by wide circles of the population, and the remarks I made at the beginning in connection with the 1930 budget must be taken to apply to this financial reform programme as well. The reason why I am only presenting you with the main outlines to-day and not with the dozen or more bills comprising the programme is to be found in the necessity for the Government of the Reich to retain the required power of negotiation and decision until negotiations on the Young Plan have been concluded;

(Interruptions from the Nationalists)

for it is one of the pre-requisites for acceptance of the Young Plan (and the President of the Reichsbank has also pointed this out in his memorandum) that the recommendations and provisions jointly introduced into the Young Plan are fully accepted by all the Powers concerned and respected.

(Laughter from the Nationalists and the National-Socialists)

This imposes on the Government of the Reich the duty of putting considerations of foreign politics before those of domestic politics, (although on the latter grounds also it would prefer the immediate presentation of the bills) until

this object has been attained. The Government of the Reich is fully aware of its responsibility in the matter in making this statement, and holds to it in spite of all misinterpretations.

The President of the Reichsbank has emphasised in his memorandum - but I must say in full agreement with the Government of the Reich - that one of the pre-requisites for acceptance of the Young Plan is the reform of Germany's financial and economic policy, so that the economy of the country may be able to benefit from the relief allowed under the Young Plan.

(Laughter from the Communists and the National-Socialists)

The Government reform programme for reorganising the finances therefore is made up of two important tasks; definite equilibrium of the budget of the Reich and not merely a balancing on paper for the current budget year 1929, the coming budget year 1930 and subsequent years; and elimination of the uncovered items of the extraordinary budget so as to relieve the cash position of the Reich.

One word as to the budget law of 1929 before I discuss details. The budget for 1929 submitted originally by the Government of the Reich with proposals as to cover was not in reality balanced after the modifications made by the Reichstag had been introduced; estimates of revenue were entered too high and estimates for expenditure too low.

(Hear! Hear! from the Communists, the National-Socialists and the Nationalists)

Yes, Gentlemen, this has been repeatedly explained in the Reichstag during the discussions on budget eliminations. I did not imagine I was saying anything new; I merely mentioned it in this connection.

As a result and in spite of a radical throttling of expenditure the current budget year will close with a deficit amounting to more than double the deficit of the budget year 1928.

(Hear! Hear! from the Right)

which amounted to 150 millions in round figures.

If the Young Plan is accepted, the relief for the budget coming into force with retroactive effect for the budget year 1929 will just suffice to liquidate the deficits from 1928 and 1929.

Therefore, provided that the Young Plan is accepted, 1930 will start clear.

(Disturbance, and calls from the Communists)

The mistakes made in the revenue and expenditure estimates of the 1929 budget are however still making themselves felt in the 1930 budget. It will therefore be necessary to employ an appreciable proportion of the relief obtained under the Young Plan for balancing the budget in 1930 also.

(Disturbance, and calls from the Communists and the Right)

For all demands (no matter how honest and justified) for relief for economy and reduction of the taxation burden borne by less wealthy sections of the population are useless, unless the first object of financial reform, i.e. budget equilibrium has been completely assured.

(Full agreement from the Government Parties)

It will therefore be necessary in 1930 to enter higher amounts for productive unemployment relief,

(Hear! Hear! from the Communists)

to increase emergency relief to correspond with actual expenditure, to organise the agricultural emergency programme on the lines contemplated

already, to include provision for a frontier programme in the East and the West and for a settlement with the Federal States of their claims against the Reich in connection with the transfer of the railways, waterways and postal service, and to arrive at a final arrangement in respect of a number of other expenditure items.

(Disturbance and cries from the Communists)

I must draw attention to these matters; for I assume that you wish to have a really clear idea of the position of the budget; and, this being so, you cannot overlook the fact that certain expenditure items in the current budget have been entered at too low a figure, in which the Reichstag also had a hand.

(Quite right! from the Government Parties)

In drafting the budget for 1930, the Government of the Reich has borne in mind that such increased expenditure estimates must be compensated where possible by reduced expenditure in other items. Expenditure cannot however be mechanically reduced, but only to the extent consistent with the fulfilment of the economic, cultural and social duties of the State. A radical and permanent reduction of expenditure will only be possible as a sequel to more effective organisation of the administration. The Government of the Reich .....

(Cry from the Right: Where is it?)

..... Where is it? You cannot really reproach the Government of the Reich in office with not having done what it could for reform. It really can hold up its head on this point.

(Much amusement and cries)

The Government of the Reich is confident that the scheme for taxation reform contemplated by it will bring appreciable relief at least for the tax departments of the Reich, the Federal States and the Communes, and will therefore lead to appreciable reductions of expenditure in the future, if not in 1930.

After carefully establishing the budget of the Reich for 1930 on the lines which I have just explained, there will remain 350 millions out of the Young Plan in the budget year 1930 for the relief of the German economy.

(Cries from the Nationalists and the National-Socialists)

In order however to apply this relief to the extent necessary to assist the country, the Government of the Reich is of the opinion that a further amount of 400 millions in round figures is required.

(Hear! Hear! from the Nationalists - Cries)

This amount is to be obtained through an increase in the rates of two taxes, i.e. to the extent of 180 millions from the beer tax,

(Hear! Hear! from the National-Socialists)

and to the extent of 220 millions from the tobacco tax.

(Hear! Hear! from the National-Socialists - Cries)

Now, Gentlemen, when discussing the budget we shall have to consider whether it will be possible to reduce expenditure to this extent. In which connection I may remind you of the attempts made during this year, which were successful.

At a superficial glance it might appear curious that the Government of the Reich should propose a reduction of taxation on the one hand and on the other a very appreciable increase in taxation.

(Cries from the Communists)

There is no doubt it is very disagreeable to have to select for increase two taxes on consumption. The Government of the Reich was fully conscious of that. But there were conclusive reasons why it did not make other proposals. If the German system of taxation is to be placed on a healthy basis in connection with the application of the Young Plan, beer and tobacco cannot be overlooked, for the reason

(Cries from the Communists)

that they have been taxed at a much lower rate than other sources of revenue during past years.

(Renewed cries from the Communists and the Nationalists)

A comparison with taxation in foreign countries reveals the fact that in practically no other land are beer and tobacco taxed at such a low rate as in Germany. There will therefore be available 750 millions for the relief of German business when the increased yield from these two taxes is added.

The opinion of the Government of the Reich on taxation reduction on this basis has already been made known in detail in the financial programme of the Government which was published on the 9th of this month. The Government of the Reich has set itself the task of providing the suffering German economy with the necessary fresh stimulus required.

(Laughter and cries from the Right and the Communists)

The reform is intended in the first instance to stimulate the required formation of fresh capital.

(Hear! Hear! from the Communists)

Gentlemen, I do not understand this "Hear! Hear!" The high rates for interest prove that we have not sufficient fresh capital,

(Quite right! from the Government Parties)

and this must be obtained through work. Your "Hear! Hear!" is therefore incomprehensible to me.

(Very good! from the Government Parties)

In the case of the income tax, the proportion free from taxation is to be increased, reductions in respect of children are to be improved and the scheduled rates reduced in some cases and redistributed in others. This section of the reform will therefore benefit even the poorest circles of the population.

In the case of the property tax, all incomes up to 20,000 marks are to be exempt.

(Hear! Hear! from the Communists)

The sugar tax, which hits even the poorest of the poor, is to be entirely suppressed.

There is no doubt that the Federal States and communes feel the taxes on real estate and commercial transactions in greater or less degree an onerous burden.

(Cries from the Nationalists)

Yes, that depends on the communes. It is common knowledge that the charge derived from these taxes differs in the individual communes.

Provision has therefore been made to reduce the taxes on commercial occupations by 20 per cent and the taxes on real estate by 10 per cent; and these reductions are to be followed by further reductions after the coming into force of the law for the greater uniformity of taxation.

The charge in respect of the industrial debentures is to be suppressed entirely in the course of a few years by gradual stages. The Rentenbank

interest charges are also to be suppressed - a claim made for some time past by agriculture. Finally, including a reduction of the taxes on the movement of capital (of one-half in the case of the company tax and the securities tax, and of one-third in the case of the tax on stock exchange transactions) I have supplied you with the main outlines of a programme for reducing taxation by exactly 915 millions in 1930. As the elimination of the Rentenbank interest (85 millions) and a part of the reduction in the industrial charge (80 millions) does not affect the Reich, the entire programme can be carried out with the sum of 750 millions to which I have already referred.

It is clear that such a finance reform will involve a large number of modifications in the Finanzausgleich law. The Finance Minister of the Reich will supply you, in the course of the debate, with details on this point, more especially in regard to the proposed inclusion of the beer tax in the list of transferable taxes (subject to special consideration for Bavaria as the largest beer producing State) and in particular the assumption by the Reich of a guarantee to make good any falling off in the tax returns to the States and communes, together with other matters.

Two points deserve special mention. In the first instance, in the unanimous opinion of the Government the introduction of a flexible element into the communal taxation system.

(Cries from the Communists: Poll tax!)

in accordance with which all citizens will be called upon to share the communal burdens (with due consideration to their social necessities) is an urgent necessity of this finance reform.

(Cries from Deputy Torgler. The President rings his bell)

President Loebe: Mr Deputy Torgler, you cannot interject your speech at this juncture.

(Laughter)

Chancellor Müller: By the incorporation of such a flexible element the sense of responsibility of the communes in the voting of expenditure will be heightened and the principle of self-administration will be strengthened. As you are aware, a considerable number of proposals have been put forward with regard to such a flexible element. As you are also aware, some of these proposals are strenuously rejected by a section of the House and equally strenuously advocated by another section, and vice versa. The final form which the flexible element is to take will therefore be the subject of careful examination in this House, so soon as proposals in concrete form are submitted to the House in a bill. But the Government desires here and now to establish the principle, which it unanimously recognises, that such a flexible element must be created. The financial position of many communes also is serious. This is a recognised fact in leading communal circles, as is proved by the action taken by the Präsidium of the German and Prussian Diet of towns (Städtetag), with the support of the Government, to convert the heavy burden of short-term indebtedness into long-term loans.

The second point to which I should like to refer, which will be the subject of supplementary explanations by the Finance Minister of the Reich, is the question of definitively establishing unemployment insurance on a sound basis. It was not possible to cover even the major part of the annual deficit of the Unemployment Insurance Office by means of the amending law to the law on the provision of employment and unemployment insurance passed by the Reichstag a few months ago. The reforms introduced by the amending law are estimated to realise a saving of roughly 100 millions per annum.

This still leaves an annual deficit of about 180 millions. As it is not fair in view of the distress among the unemployed to amend this law fundamentally in order to realise a saving, the Government has decided in connection with the programme of financial reform to agree to the raising of the contributions by ½ per cent.

(Hear! Hear! and shouts)

The Government unanimously believes that this can be done within the scope of the general programme of reform submitted. But as it is impossible to foresee the development of the labour market in the coming years, the new regulations are only to apply until March 31, 1931.

So much for actual financial reform, which is to constitute the basis for drafting the budget for 1930 and subsequent years after the passing of the Young Plan.

But the anxieties of the Government are not allayed by having thus cleared the road for the future.

I come now to the last and also the most important part of my statement to-day, namely the question of overcoming the difficulties of the Treasury.

Needless to say I am perfectly well aware of the arguments against frank discussion of this point at the present juncture before all the world. Nevertheless it seems to me that only by laying all our cards on the table shall we overcome the present difficult situation. Let me begin by giving you a few figures.

At the moment we have uncovered extraordinary expenditure in the amount of 800 millions. To this must be added the usual requirements for the settlement at the end of each month, including loans and advances, in the amount of 450 millions. If you add to this the deficit of 150 millions in

the 1928 budget and a probable deficit of 300 millions for 1929, you will get a cash deficit at the December settlement this year of 1,700 millions.

(Hear! Hear! on the Right.)

In the fourth quarter of the current financial year, that is to say in the three months following the December settlement, a further 150 millions will in all probability have to be voted for unemployment insurance. Leaving these 150 millions aside for the moment, we have requirements at the December 1929 settlement totalling 1,700 millions against which we can set cover in the amount of 1,370 millions. These 1,370 millions comprise 400 millions of treasury bills, a working credit of 100 millions with the Reichsbank, a foreign credit of 210 millions, loans from the Reichsbahn and the Reichspost in the amount of 225 millions,

(Shouts on the Right: Incredible!)

treasury bonds with banks and with the Agent General in the amount of 335 millions, and outstanding balances totalling 100 millions. This calculation shows that to meet its obligations at the December settlement the Treasury needs a loan of 330 millions.

It is indisputable - and I say so quite frankly - that the Reich cannot possibly drag on from month to month with a burden of this kind. The present cash position will have improved somewhat so soon as the deficits for 1928 and 1929 mentioned by me are covered by the supplementary budget for 1929, and so soon as practical effect has been given to the measures for dealing with the cash shortage proposed by the Government. Without in any way wishing to gloss over the present state of affairs I must point out in common justice that the present Government itself took over a large cash shortage.

(Very true! from the Social Democrats and the centre of the House)

The cash shortage is due in the first place to the fact that in recent years it has not been possible to finance the extraordinary budget by means of loans as originally assumed, and that, as I have explained in detail, during the last few years the ordinary budget has also closed with a deficit. The Government does not intend to make any accusations in respect of measures adopted in the past. Its aim is rather to draw the logical conclusions for the future out of the present state of affairs.

In this connection I should state that 500 millions of the cash shortage of 1,700 millions referred to are to be covered out of the Kreuger loan concluded in connection with the match monopoly,

(Loud shouts from the Communists)

which thus constitutes an important part of the Government's financial programme.

Among the reform laws of the Government of the Reich there is further a bill providing for the gradual liquidation of the uncovered balance still remaining in the extraordinary budget by means of amortisation grants from the ordinary budget. This amortisation will relate not only to sums already spent under the extraordinary budget and not yet covered, but also to all extraordinary expenditures required in the course of the next few years for the execution of the programme for rural settlements and canals with which a beginning has already been made. The bill in question will establish a long-term programme for extraordinary expenditure as a whole, will make it unnecessary for a number of years to call on the capital market for the purposes of the Reich and will provide that in future the extent, duration and cover of all new extraordinary expenditure must be regulated by a special law.

(Hear! Hear! from the Democrats)

Ladies and Gentlemen, I hope that you will gather from my words that the Government of the Reich does not intend to content itself with words, but is honourably and energetically determined to bring order into the budget of the Reich, particularly so far as the extraordinary budget and the Treasury requirements are concerned. It is true that the relief afforded by the measures proposed and the permanent security of the Treasury will only be realised gradually. For a short intermediate period, therefore, it will still be necessary to bridge over by transitional credits (Ueberbrückungskredite) the period until the relief becomes effective.

It is precisely with a view to this intermediate period that the Government of the Reich has thought two special measures to be absolutely essential in connection with its programme of financial reform.

Bearing in mind the fact that the difficulties of the Treasury are explained not least by the fact that in the course of last winter very large sums, which went to increase the uncovered extraordinary budget, had to be paid over to the unemployment insurance, the Government of the Reich has unanimously decided that the increase by ½ per cent to which I have already referred in the contributions to unemployment insurance must come into force immediately, that is, from January 1, 1930.

(Hear! Hear! from the Communists and from the Right)

The Government of the Reich must therefore urgently request the House to see to it that a bill of the kind, which forms an essential part of the total reform, really comes into force on January 1, 1930,

(Hear! Hear! from the Right)

for with the present Treasury position we could not take it upon ourselves to charge to the Treasury of the Reich the whole of the deficit which the

year 1929 will bring for the unemployment insurance over and above the credits of the Reich already included in the budget.

The second measure which the Government of the Reich considers to be absolutely necessary is the amending law in regard to the taxation of tobacco which is to come into force on the same date. As I have already explained, the increase in this tax is expected to bring in 220 millions per annum.

(Hear! Hear! from the Communists)

The cash benefit for one month is thus not very large in comparison with the total requirements. But the Government of the Reich thinks it of importance by just this measure, which will entail a far from popular tax increase, to show the general public that, in its endeavours to cope with the cash shortage with the utmost possible energy, it is in deadly earnest.

These two measures of the so-called emergency programme (Sofort-Program) - increase in the contributions to unemployment insurance and increase in the tobacco tax - will bring into the Treasury 140 + 220 = 360 millions per annum. The Government of the Reich is confident that on the basis of these measures it will succeed during the next few days in obtaining for the requirements at the end of December 1929 the cash credit still needed to the amount previously mentioned of 330 millions; it hopes to do this by special credit measures on which for obvious reasons I can give no further information at the present moment.

(Interjections from the Communists. Deputy Togler: One of the Scala decisions!)

If we succeed in obtaining this credit, I may here on behalf of the Government of the Reich proclaim with confidence to the whole of the nation that the most severe tension of the Treasury will then have been overcome.

This objective, that of easing the Treasury position, is still more important than the tax reductions proposed. In the view of the Government of the Reich, it is true, the tax reductions also are urgently needed; but they are a question of the near future, whereas the elimination of the cash shortage is the decisive and burning question of the moment. The elimination of the cash shortage is also in the interests of the business community. The position on the money market is rendered unfavourable for private enterprise by the necessity for public borrowing. The emergency measures which I have already enumerated are designed to help towards the solution of this question. But they alone are naturally not sufficient; they are rather to be looked upon as a part only of the general programme outlined to the House.

It is now for you, ladies and gentlemen, to support the Government of the Reich in the execution of the necessary measures. I have in all frankness explained to you the difficulties of our present financial position and have on the other hand made known to you the carefully considered measures by which the Government of the Reich proposes to overcome those difficulties. In the name of the Government of the Reich I hereby call upon the House to support with a large majority the principles of a Government programme of the kind. As you are aware, the final Hague Conference is to meet at the beginning of January. Unless the Government obtains a clear vote of confidence from the Reichstag, the meeting of The Hague Conference would be gravely endangered

(Interjections from the National Socialists)

unless the Government could be re-constituted within a very short period. If it should prove impossible to overcome the end of the month difficulties in December, any such serious disturbance of the finances of the Reich would inevitably react strongly on private enterprise and would seriously implicate all sections of the population.

(Very true! from the Centre)

Such symptoms of crisis would also endanger the continuation of the social policy and the cultural achievements of the German nation. Of the way in which they would affect and recoil on the reconstruction of our native land, with which a beginning has so laboriously been made, I will not speak.

Ladies and gentlemen, the hour is grave.

(Ironical shouts from the National Socialists: Hear! Hear!)

Speedy decisions are required. Although details of the programme will of course be open to discussion after the presentation of the bills to which I have referred, yet the Government insists that the principles of its programme of financial reform must be supported by the majority of the Reichstag. I know that all parties in the Reichstag object to individual points of the programme. But if the financial difficulties of the Reich, as is absolutely essential, are to be overcome at an early date, all parties must withdraw their objections. I address to you in this matter the urgent appeal of the Government of the Reich. The Government also has put its conflicting views on one side and has unanimously decided on the general programme. It is our firm conviction that a large majority of this House can combine on a basis of the financial programme of the Government, if the parties in this House realise in this hour that there are common interests of the German nation which it is the first duty of the members of the Reichstag to represent and which it was never more necessary to represent, with all individual interests set on one side, than in this time of dire distress. Only in this way can the work of reconstruction of the last ten years be protected from serious disturbance and successfully continued for the benefit of the German nation. It is for this that the Government of the Reich needs the confidence of the Reichstag.

(Bravo! from the Social Democrats and the Centre).

Transl. 7655.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 8, 1930.

GERMANY'S ECONOMIC POSITION AT THE TURN OF THE YEAR 1929-30.

(Published by the Reichs-Kredit-Gesellschaft A.G., Berlin)

(cf. DOC. 316)

The Reichs-Kredit-Gesellschaft has published its customary report on "Germany's economic position at the turn of the year 1929-30", a translation of which follows below:

A disproportion between capital activities and the supply of capital, such as characterises the current economic position in Germany, was a regular (though always a painful) accompaniment of periods of economic expansion before the war. The causes of this phenomenon of its birth, its growth and ultimate elimination were not always the same. Frequently the disproportion arising in the course of economic expansion was intensified and made apparent by political events. Periods of difficult and long drawn out hardship, wars and times of great political tension were almost always succeeded by over-estimation of the possibilities of development, an error which had its natural explanation in the extent of the privations and the suppression of economic progress and growth which had gone before.

Germany since the coming in force of the Dawes Plan, which may be regarded as a kind of armistice in the reparation struggle, has had two set-backs of the kind described - that of 1925-26 and that of the present time. Between the two lies a period of economic expansion and growth and development of productive

activities of every kind. The present position will be more readily understood, if it is contrasted with the position in 1925-26.

One of the principal reasons for the set-back of 1925-26 was an excessive accumulation of stocks, financed out of short-term foreign banking credits, while another reason was the inability of a number of undertakings and groups which had arisen in the inflation to adapt themselves to the changed conditions. 1925 was only the second year after the stabilisation of the currency, and there were still gaps in the credit system. Confidence in the security and reliability of many, even of the best managed, concerns was not yet firmly fixed, since information as to their position was not generally available. Foreign countries, on whose support German enterprise had been to some extent based, were alarmed by the collapse of certain big houses and inclined to revert once again to an attitude of reserve. In a few months the disproportion between capital activities and the capital supply led to a position of serious strain, which made itself more rapidly felt than might otherwise have been the case for the reason that there were at this time no liquid reserves to speak of on which to draw. Relief had to be sought in the reduction of capital activities and of stocks, and pro tanto of industrial development. The process of curtailment proceeded very rapidly, since the capital improvements of the year 1925 consisted largely of stocks of goods, many of them commodities in demand on the world market, which could be readily realised by reducing imports and expanding exports. Capital improvements in the shape of buildings and machinery were not at this time of any considerable extent; and this facilitated the process of liquidation. A rich harvest, which under the pressure of the farmers' short-term indebtedness was rapidly converted into money, accelerated the

process, and the general mistrust was soon proved to be without justification. The annual balance sheets published at the beginning of 1926 showed that by far the greater part of the industrial undertakings of the country were solidly founded and efficient competitors. In foreign countries at the same time for a variety of reasons, some of which were fortuitous, such as the emigration of capital from Western Europe and the boom harvest results, there was a considerable capacity - and in certain countries a marked inclination - to export capital, and the high rates for money in Germany exercised a powerful attraction on the foreign capitalists. Private and public enterprise in Germany were as yet saddled only to a small extent with long-term obligations. The public finances showed big surpluses, which created growing confidence both in and outside Germany; and the public purse was able to give considerable material assistance to business in the form of productive unemployment relief and the subsidising of particular concerns or industries which found themselves in difficulties. Lastly the long continuance of the English miners' strike brought in big profits for a section of German industry, and helped to stimulate enterprise in spite of the exceptional and non-recurrent character of the resulting expansion of markets.

The set-back of 1929, the first beginnings of which date back to the previous year, differs both in respect of its origin and its course from that of the year 1925-26. The disproportion between capital activities and capital supply arose under different circumstances, and can only be eradicated under different circumstances. In 1929, unlike 1925, the capital improvements consisted mainly of buildings, especially dwelling-houses and plant. They were not due to speculation or over-expansion, but the outcome of the effort to catch up the arrears of over ten years and make good

pressing requirements of rationalisation and development. They were made possible only by an extensive supply of capital from foreign countries. According to calculations published in our report on Germany's economic position at the turn of the year 1927-28 the capital improvements exceeded the internal formation of capital in 1927 by nearly one half, and the balance was made up by capital imports. There was no possibility of increasing the formation of capital by the amount of the deficiency in a few years, since the increase in the economic surpluses of the country was absorbed by the growing reparation payments. From 1928 onwards the import of long-term capital began gradually to diminish, and in the second half of last year ceased entirely. The large internal requirements of foreign countries as a result of foreign capital activities, and in particular the exceptional demand which made itself felt in the United States, combined with the policy of capital hoarding (followed mainly by France but adopted as the year went on by other countries as well) to divert the flow of capital from Germany. At the same time, in order to prevent a further expansion of the public indebtedness to foreign countries, applications for leave to issue new foreign loans were admitted only for small amounts. The reparation negotiations with their changing aspects and long duration crippled the spirit of enterprise and readiness to put money into capital improvements in Germany. They gave rise at moments to anxiety as to the stability first of the German currency and later of the public finances and political developments. These apprehensions led to the emigration of capital and to a restriction of public confidence, which in its turn made the supply of credit more difficult. The disproportion between the supply and demand of capital was thus increased beyond the proportions which the reduced import of capital would

in any case have occasioned. As always at such times, there were concerns (some of them of established standing) which were unable to cope with the increasing difficulties, and by their collapse created new uncertainty, loss of confidence and difficulties in connection with the supply of credit.

The rapid relief, which had been possible in the years 1925-26, was no longer possible when the capital investments consisted only to a small extent of stocks. Under the circumstances the rapid restoration of more liquid conditions could only be attempted by the abandonment of new capital improvements. The process was a slow one. The duration and the extent of the strain on the capital market had been under-estimated under impression of the need for expansion and the necessity for its satisfaction. There was naturally more reluctance to stop work on buildings and plant already begun and of recognised public utility than to restrict the purchase or production of goods. There was no big foreign strike to come to the aid of the German economy on this occasion, and the public finances could not be called upon to support private enterprise. The surpluses had already been expended in previous years: capital commitments had been incurred in the belief that it would be possible to raise money by public issues on a scale which was greater than was justified by the current returns of the revenue: and the Treasury was itself a borrower on the money market and had been compelled to restrict its capital activities. The reparation negotiations are still proceeding and, until they are concluded, the uncertainty to which they have given rise is bound to continue. On the other hand there is a pronounced change on the international capital market.

Germany is not the only country in which set-backs occur, as recent events show in the United States. The duration of such set-backs depends in all countries, not only on the material reserves but also on personal considerations, not only on the extent of liquid or readily realisable resources in or outside the country but also on the ability to work and the capacity for adjustment of the business forces of the country and the determination to make an end of the disproportion where it has arisen.

The process of adjustment of capital activities to capital supply is in full swing at the present time in Germany.

PRODUCTION.

German production was able once again to show an increase during the summer months of the current year. The exceptional severity and length of the winter held up a part of the capital activity which accordingly spread into the following quarters, and the favourable position of the international market made possible a considerable expansion of exports. A further factor operating in the same direction was to be found in the great efforts which were made in certain quarters to carry through the programmes of capital development which had been drawn up when the supply of capital was assured. In the autumn the reserves which were thrown in for this purpose were exhausted. Since then the volume of orders shows a marked falling off in almost every branch of industry,

and a general decline of industrial activity has set in. The fact that exports are still favourable slows down this decline, but cannot arrest it. The total production of the year is less than that of the previous year. It must be remembered that for a country which has such burdens to carry as Germany, and at the same time has such arrears to make up, even standing still means set-back. It must also be remembered that the set-back comes at a time when all the other industrialised countries have a marked development to show and a big expansion of the internal market. The following table shows the diversity of development and the extraordinary start which the other countries have got at the expense of Germany.

DEVELOPMENT OF INDUSTRIAL PRODUCTION IN GERMANY, THE U.S.A., GREAT BRITAIN AND FRANCE

(calculated on the basis of indices)

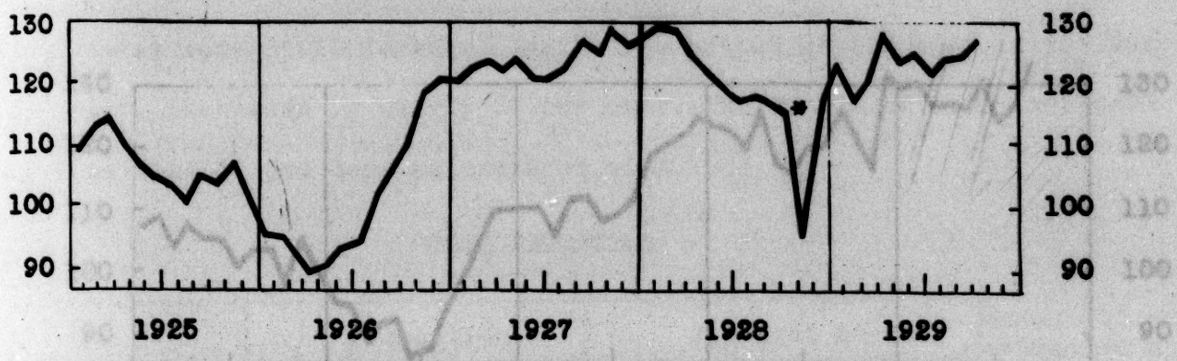
	Germany		U.S.A.	Great Britain	France
	1927=100 Reichs-Kredit-Gesellschaft	1924-26=100 Institut für Konjunkturforschung	1923-25 = 100 Federal Reserve Board	1924 = 100 Board of Trade	1913 = 100 Statistique générale
1928 1st quarter	102.9	128.4	109	109	119
2nd "		121.6	110	104	125
3rd "		117.6	113	100	129
4th "	-*	-*	113	108	132
1929 1st quarter	101.7	120.6	118	110	137
2nd "		126.1	125	112	140
3rd "		123.5	124	110	139

* Not suitable for comparison because of lock-out in the iron industry.

The index of industrial production established by the Institut für Konjunkturforschung does not give an accurate idea of general development during 1929 owing to the fact that coal and iron production, which have very greatly influenced the movement of this index during the current year, showed different symptoms to past years.

INDEX OF PRODUCTION

(Average 1924-26 = 100)



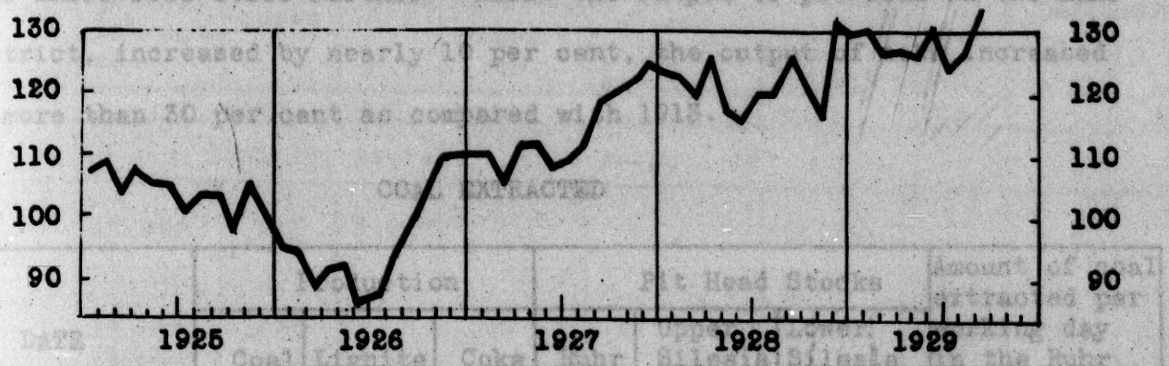
* Influenced by lock-out in the iron industry.

The industrial consumption of electricity increased still further during the year as a whole, but at a slower rate. Calculated per kw of consumer's terminal power, the increase from 1926 to 1927 was 20 per cent, whilst it was about 10 per cent from the first six months of 1927 to the first six months of 1928 and about 7 per cent from the first six months of 1928 to the first six months of 1929. In the year itself, however, there has been a falling off in the consumption of electricity. The movement resembles that of 1925.

INDUSTRIAL CONSUMPTION OF ELECTRICITY

PERIOD	Amount of current delivered per working day for 1 kw of consumer's terminal power (Monthly average 1925/26 = 100)				
	1925	1926	1927	1928	1929
1st quarter	106.3	92.7	108.9	122.2	129.1
2nd "	105.6	90.1	110.7	118.6	128.3
3rd "	103.0	93.0	113.2	121.9	127.6
4th "	101.3	107.8	122.5	120.9	

INDUSTRIAL CONSUMPTION OF ELECTRICITY
(Average 1925-26 = 100)



The amount of coal extracted and consumed during the past year assumed such proportions as would seem on the surface to contradict the assumption of a trade depression. The development of sales with the chief groups of clients should however be studied. It will then be found that sales for industrial purposes, which represent production of energy and therefore reflect industrial development, fell slightly during the first ten months, whilst sales for domestic purposes following the exceptionally severe cold of the last winter increased by 16 per cent, and the surplus of exports over imports by 19 per cent, partly for similar reasons. Recognition of this causal factor is necessary not only for forming an accurate idea of the general economic development of the past year, but also for estimating the future development of the coal market. The rise in domestic requirements was accidental, and may not therefore occur again.

For the coal industry as such the past year was one in which the capacity of the industry was satisfactorily exploited. Progress was made in the various processes for the conversion of coal, and the proportion of coke sales rose still further: while the output of pit coal in the Ruhr district, increased by nearly 10 per cent, the output of coke increased by more than 30 per cent as compared with 1913.

COAL EXTRACTED

DATE	Production			Pit Head Stocks			Amount of coal extracted per working day in the Ruhr	
	Coal	Lignite	Coke	Ruhr	Upper Silesia	Lower Silesia	Coal	Coke
	Monthly average in 1,000 tons			At the end of the month				
1913*	15,842	7,269	2,886	.	.	.	.	.
1913**	11,729	7,269	2,639	.	.	.	378.6	68.4
1924**	9,902	10,363	1,977	3,385	221	319	311.0	56.6
1925**	11,051	11,644	2,366	6,698	384	323	344.5	61.8
1926**	12,108	11,656	2,275	5,208	235	231	370.3	60.8
1927**	12,800	12,567	2,688	1,693	266	156	390.3	75.1
1928**	12,573	13,852	2,770	1,486	409	115	378.0	78.0
1928								
1st quarter ..	13,488	14,014	2,983	1,382	388	111	401.7	83.9
2nd " ..	11,827	12,823	2,732	1,990	391	119	373.1	75.6
3rd " ..	12,554	13,826	2,916	2,572	485	163	363.2	80.2
4th " ..	12,423	14,626	2,658	3,094	373	69	374.3	72.4
October	13,311	15,226	2,939	2,815	389	79	377.2	80.6
November	12,141	14,548	2,311	3,427	355	71	366.4	63.5
1929								
1st quarter ..	13,032	14,413	3,062	2,315	241	45	389.9	87.3
2nd " ..	13,129	13,886	3,137	1,265	153	52	404.4	90.5
3rd " ..	14,103	14,747	3,320	1,453	239	64	406.9	95.7
October	14,835	16,050	3,379	2,365	236	51	414.1	97.4
November	14,157	15,623	3,282	.	.	.	436.4	97.3

* Old economic territory including Luxemburg.

** Present territory of the Reich not including the Saar.

CONSUMPTION OF COAL

DATE	Total amount of coal extracted	Imports	Exports		Increase (+) or decrease (-) in pithead stocks	Consumption by home markets			
			Free	For Reparation account		Total		Per head	
						in 1,000 tons	% of 1913	in Kg.	% of 1913
	in 1.000 tons								
	Monthly average in terms of coal								
1913*	17,458	1,345	3,863	-	.	14,960	.	.	.
1913**.....	13,345	.	.	-	.	12,325	100.0	205.4	100.0
1924**.....	12,205	1,272	2,059		+ 448	10,970	89.0	176.4	85.9
1925**.....	13,639	781	1,671	1,260	+ 154	11,335	92.0	181.4	88.3
1926**.....	14,698	363	3,487	1,240	- 719	11,031	89.7	175.7	85.5
1927**.....	15,592	611	2,495	1,095	- 196	12,810	103.9	202.4	98.5
1928**.....	15,651	810	1,807	1,322	+ 213	13,119	106.4	204.5	99.6
1928									
1st quarter	16,602	700	1,976	1,391	+ 105	13,831	112.2	217.6	106.1
2nd "	14,676	748	1,606	1,156	+ 269	12,394	100.6	194.6	94.7
3rd "	15,626	867	1,757	1,302	+ 226	13,208	107.1	207.0	100.8
4th "	15,674	927	2,016	1,311	- 240	13,034	105.7	204.0	99.3
October 1928	16,695	954	1,968	1,310	- 158	14,213	115.3	222.5	108.3
November 1928	15,373	940	2,160	1,338	- 665	12,150	98.6	190.1	92.5
1929									
1st quarter	16,235	740	2,006	1,173	- 775	14,571	118.2	227.7	110.9
2nd "	16,215	879	2,056	1,443	+ 177	13,418	108.9	209.7	102.1
3rd "	17,380	977	2,776	1,320	+ 117	14,144	114.8	221.0	107.6
October 1929	18,401	988	3,017	706	+ 716	14,950	121.3	233.6	113.7
November 1929	17,695	881	2,956	647	.	15,000***	121.7***	234.4***	114.1***

* Old economic territory of the Reich including Luxemburg.

** Present territory of the Reich not including the Saar.

*** Provisional figures.

A = COAL EXTRACTED

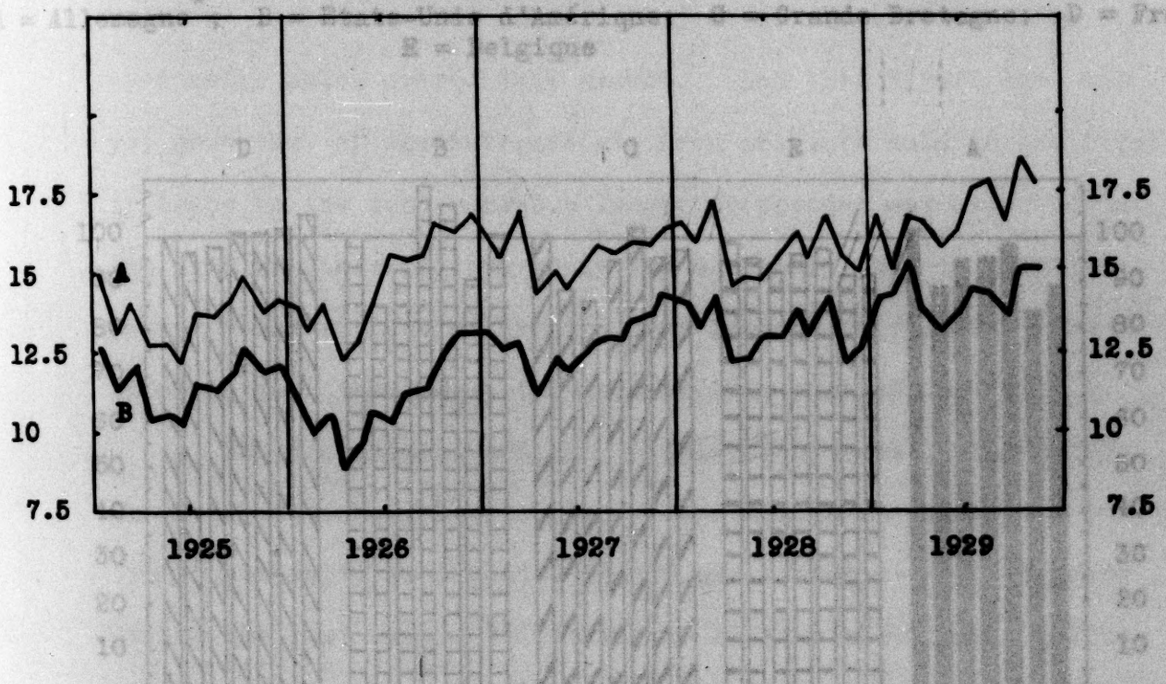
B = CONSUMPTION BY HOME MARKET

(in millions of tons in terms of pit coal)

A = PRODUCTION DE CHARBON

B = VENTES DE CHARBON

(en millions de tonnes, valeur exprimée par l'équivalent en houille)



The increase in output in the other coal-producing countries was still greater than in Germany, owing there also to an increase in the requirements of industry.

Dans les autres pays producteurs de charbon, l'accroissement de la production a été encore plus considérable qu'en Allemagne, car les besoins de l'industrie y ont également augmenté.

INTERNATIONAL FLUCTUATIONS IN COAL PRODUCTION

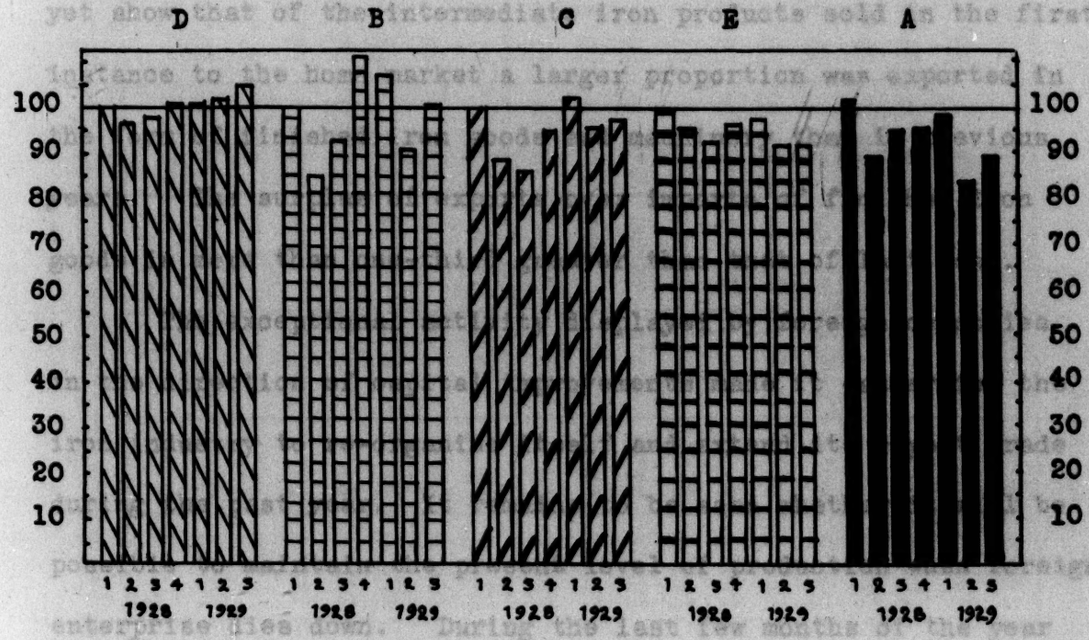
(1st Quarter 1928 = 100)

A = Germany*; B = U.S.A.; C = Great Britain; D = France; E = Belgium

FLUCTUATIONS INTERNATIONALES DANS LA PRODUCTION DE CHARBON

(premier trimestre de 1928 = 100)

A = Allemagne*; B = Etats-Unis d'Amérique; C = Grande Bretagne; D = France; E = Belgique



* Including lignite extracted.

* Y compris la production de lignite.

The progress made in the production of iron and especially in iron sales on the home market is worthy of remark. As compared with the first ten months preceding the November lock-out, the amount extracted has increased by the amount by which imports have fallen. In spite of the fact that part of the previous year's orders were not placed until the current year owing to the November lock-out, home sales fall just as short of the 1928 figure as foreign sales exceed this amount. And this figure does not yet show that of the intermediate iron products sold in the first instance to the home market a larger proportion was exported in the form of finished iron goods and machinery than in previous years. The surplus of exports over imports of finished iron goods is more than one-third greater than that of last year.

The exceptional activity displayed by foreign countries in the direction of capital improvements made it easier for the iron industry to re-organise itself and extend its export trade during the past year. It remains to be seen whether it will be possible to maintain the present level of production when foreign enterprise dies down. During the last few months of the year both home and foreign sales have fallen off, and production has decreased accordingly.

PRODUCTION OF IRON

DATE	Total of production				Pig-iron				Crude steel			
	Total		Per head		Total		Per head		Total		Per head	
	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913	in 1,000 tons	in % of 1913	in kg.	in % of 1913
	Monthly average											
1913*	1,832	-	.	-	1,609	.	-	-	1,572	-	.	-
1913**	1,198	100.0	20.0	100.0	910	100.0	15.2	100.0	981	100.0	16.3	100.0
1925**	1,196	99.8	19.2	96.0	841	92.4	13.6	89.5	1,004	102.4	16.3	99.6
1926**	1,169	97.6	18.6	93.1	804	88.4	12.8	84.2	1,026	104.6	16.3	100.0
1927**	1,554	129.7	24.5	122.9	1,092	120.0	17.2	113.7	1,359	138.5	21.5	131.3
1928**	1,391	116.0	21.8	109.2	984	108.1	15.4	101.8	1,210	123.3	19.0	116.1
1928 average of	1,495	124.8	23.5	117.5	1,065	117.1	16.7	110.2	1,305	133.1	20.5	125.3
1929 ten months	1,575	131.4	24.6	122.9	1,121	123.1	17.5	115.2	1,380	140.6	21.6	132.5
1929 January	1,657	138.3	25.9	129.5	1,098	120.7	17.2	113.2	1,470	149.8	23.0	140.7
February	1,416	118.2	22.1	110.5	982	107.9	15.3	100.6	1,270	129.5	19.8	121.1
March	1,469	122.6	23.0	115.0	1,061	116.6	16.6	109.2	1,316	134.1	20.6	126.4
April	1,598	133.4	25.0	125.0	1,112	122.2	17.4	114.5	1,416	144.3	22.1	135.6
May	1,613	134.6	25.2	125.4	1,151	126.5	18.0	118.4	1,421	144.9	22.2	136.2
June	1,615	134.8	25.3	125.6	1,164	127.9	18.2	119.8	1,430	145.7	22.8	140.0
July	1,658	138.4	25.9	129.5	1,204	132.3	18.8	123.7	1,465	149.3	22.9	140.5
August	1,696	141.6	26.5	132.5	1,168	128.4	18.2	119.7	1,402	142.9	21.9	134.4
September	1,452	121.0	22.6	113.0	1,109	121.9	17.3	113.8	1,234	125.5	19.2	117.8
October	1,576	131.5	24.6	123.0	1,157	127.1	18.1	119.1	1,377	140.4	21.5	131.9
November	1,508	125.9	23.6	117.5	1,091	119.1	17.0	111.8	1,286	131.2	20.1	123.3

* Old economic territory including Luxemburg.

** Present territory of the Reich not including the Saar district.

CONSUMPTION OF IRON

DATE	Total production	Imports	Free exports	Reparation exports	Home sales	Surplus of exports over imports of finished iron goods*
	Pig-iron and steel					
	in 1,000 tons					in million RM
Monthly average						
1925	1,196	98	212	6	1,082	89.70
1926	1,169	85	347	8	907	102.81
1927	1,554	181	283	6	1,446	95.58
1928	1,391	163	310	6	1,238	109.61
1928) Average of ten months	1,495	199	338	7	1,349	122.50
1929)	1,575	118	357	15	1,322	139.90
1929 January	1,657	157	277	16	1,521	124.33
February ...	1,416	96	217	8	1,287	129.63
March	1,469	101	247	6	1,317	106.34
April	1,598	114	491	15	1,206	156.08
May	1,613	121	448	23	1,263	153.78
June	1,615	127	386	17	1,339	142.18
July	1,658	124	417	12	1,353	144.88
August	1,696	111	389	12	1,406	141.62
September ..	1,452	109	327	27	1,207	144.84
October	1,576	120	367	10	1,319	155.25
November ...	1,508	105	319	15	1,279	139.76

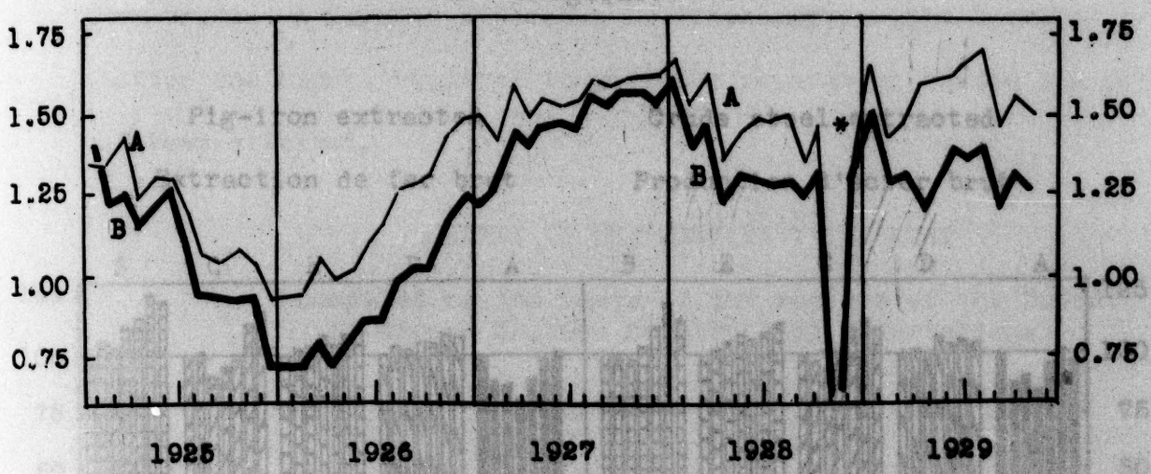
* Including deliveries on reparation account.

A = IRON PRODUCTION
B = CONSUMPTION OF IRON BY HOME MARKET

(in million tons)

A = PRODUCTION DE FER
B = VENTES DE FER EN ALLEMAGNE

(en millions de tonnes)



* Influenced by lock-out

* Chiffre influencé par le lock-out

The iron output in other countries has increased to a distinctly greater extent than in Germany, as shown by the following graph. Germany is backward as compared with these foreign countries.

A l'étranger, la production de fer a augmenté dans des proportions beaucoup plus fortes qu'en Allemagne, ce qui ressort du graphique ci-après. Par rapport aux pays considérés dans ce graphique, l'Allemagne est, à l'heure actuelle, gênée dans son développement.

OUTPUT AS COMPARED WITH ABROAD 1928-29
(1st Quarter 1928 = 100)

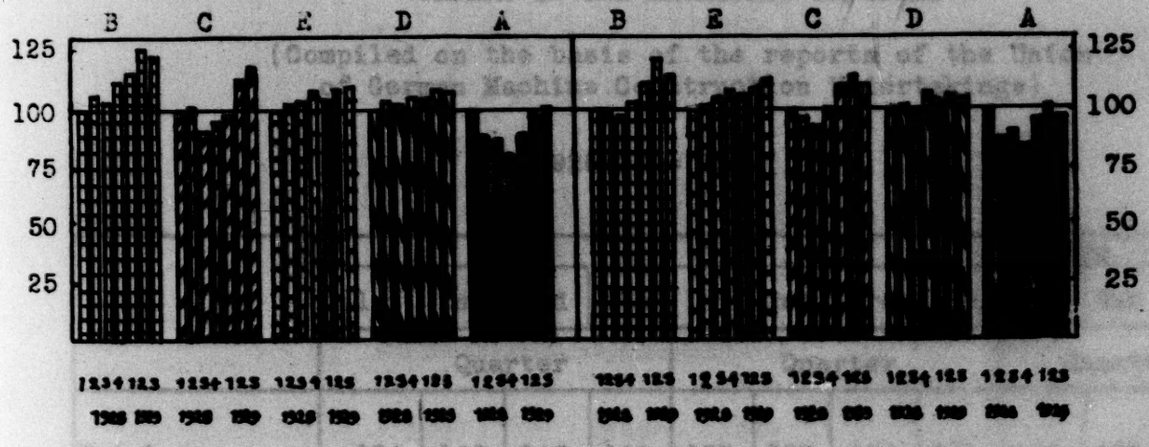
A = Germany; B = U.S.A.; C = Great Britain; D = France; E = Belgium

COMPARAISON DE LA PRODUCTION AVEC L'ÉTRANGER EN 1928-29
(Premier trimestre de 1928 = 100)

A = Allemagne; B = États-Unis d'Amérique; C = Angleterre; D = France; E = Belgique

Pig-iron extracted — **Crude steel extracted**

Extraction de fer brut — **Production d'acier brut**



The movement of orders in the machinery industry reveals with great clearness the reduced power of absorption of the home market and the significance of exports for maintaining the level of German production. Home orders account for hardly more than half the total number of orders received. Here also progress has been made with the work of increasing exports as compared with home trade. A further expansion is necessary, as the level of production and export required to meet the reparation burden has not yet been attained.

ORDERS IN THE MACHINERY INDUSTRY

(Compiled on the basis of the reports of the Union of German Machine Construction Undertakings)

1925/26 = 100

	1927				1928				1929		
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd
	Quarter				Quarter				Quarter		
Total	134	149	145	140	155	153	151	151	158	173	160
Distributed as follows:											
Home	88	107	104	92	101	96	94	85	87	89	83
Foreign	46	42	41	48	54	57	57	66	71	84	77

ORDERS IN THE MACHINERY INDUSTRY

(1925-26 = 100)

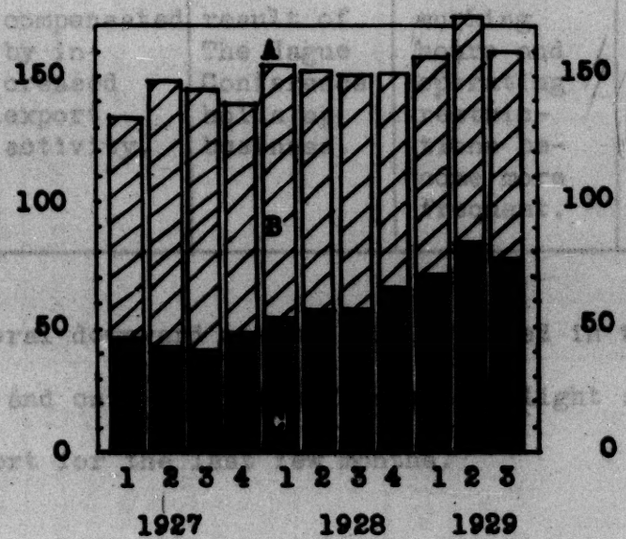
A = Total B = Home C = Foreign

MOUVEMENT DES COMMANDES DANS L'INDUSTRIE DES MACHINES

(1925-26 = 100)

A = Total des commandes B = Commandes d'Allemagne

C = Commandes de l'étranger



ACTIVITY IN THE MACHINE INDUSTRY

(Compiled on the basis of the reports of the Union of German Machine Construction Undertakings)

June	July	August	September	October	November
The revival observed during the last few months still continues. Slight increase in activity.	Very little change in general position. Fall in home trade compensated by increased export activity.	Slight falling off in orders received. Uncertainty as to the result of The Hague Conference holds up business.	Downward movement continues. Reports as to reductions in working hours and operating restrictions become more frequent.	Business continues to fall. The downward movement covers not only home trade but also foreign sales.	Position not much changed. Slight revival of foreign trade. Degree of activity maintained at level of previous month

A general downward movement is reported in the other branches of industry, and only a few branches had a slight seasonal increase in sales to report for the last few months.

DEVELOPMENT OF BUSINESS ACTIVITY IN SOME IMPORTANT BRANCHES OF INDUSTRY

DURING THE SECOND HALF OF 1929

(Based on the reports of the Chambers of Commerce issued by the Prussian Ministry of Commerce and Trade)

Branch of industry	June	July	August	September	October	November
Chemical industry	No changes worthy of mention have occurred in the state of trade. Demand and sales in general still described as satisfactory.	Orders still satisfactory, but payments fail to come in promptly.	A decline of orders recorded.	Business activity declines.	A slight recovery of activity.	The recovery maintained, but results for the month unsatisfactory.
Electrical industry	The decline arrested for the time being. Activity maintained at the level of the previous months.	The slight improvement of the position maintained.	No important changes to record.	The development of business not uniform throughout the various branches of the industry. The retrograde tendency appears to have been arrested in some departments but the general position remains difficult.	Business again declines.	No improvement in the position. Activity declines still further.

Branch of industry	June	July	August	September	October	November
Automobile industry	Sales are not uniform.	Business in the majority of cases appears to have failed to equal the expectations.	Market conditions continue difficult. A slight increase in the demand for motor buses, lorries and tractors.	The position has if anything deteriorated still further.	The volume of orders declines still further.	Business continues to decline.
Textile industry a) cotton industry	Sales of the spinning mills continue to be very scanty. In general the activity of the looms remains unvaryingly bad.	Position described as before as very bad.	No sign of any increase of activity	The scarcity of business continues. The volume of orders is reported to be very unsatisfactory.	Business still very quiet. Signs of a recovery in the weaving industry.	Little change in the situation.
Textile industry b) wool industry	The carded yarn mills continue to be only moderately well occupied. Orders slow in coming in, prices depressed. Business in the knitting looms satisfactory. The cloth industry adequately employed.	A slight increase of business in the carded yarn mills. A decline of sales in the cloth industry.	No improvement in the cloth industry. The Aachen district reports an improvement in the number of orders due to the receipt of foreign orders.	The volume of orders in the spinning mills continues to be inadequate. The position of the cloth industry has if anything deteriorated still further.	Business continues unsatisfactory. The position of the cloth industry has grown worse in some quarters.	The spinning mills continue to work on a much restricted basis. Business in the cloth industry continues unsatisfactory.

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Branch of industry	June	July	August	September	October	November
c) Silk industry	Business continues to develop satisfactorily. Sales of materials for ties maintain the level of the previous year. No changes in the artificial silk industry.	Considerably less activity in some quarters. The artificial silk industry working to full capacity.	The favourable results of the summer sales cause a slight increase in the volume of orders.	Business continues satisfactory. A partial improvement of business in the artificial silk industry.	A slight increase of activity. Position variable in the umbrella materials industry. A satisfactory volume of orders continues to be reported in the tie industry. The artificial silk industry has resorted to a restriction of output in some quarters.	Business in dress materials shows a pronounced decline. The number of orders still satisfactory. The state of the artificial silk market extremely obscure.
d) Linen industry	No improvement in the position. The spinning mills continue their drastic restriction of output.	Further decline of business.	Slight recovery in the thread spinning industry.	The position not uniform. Some spinning and weaving mills report a certain recovery.	The position continues to show a lack of uniformity.	A slight improvement in the linen thread spinning industry as regards the volume of orders. A fairly active demand for certain articles in the weaving industry
Paper industry	Market conditions unsatisfactory throughout.	In some respects the volume of orders shows a further decline.	The decline not yet arrested. Foreign sales also encounter difficulties.	No improvement in the general position. A slight recovery on the home market.	Business slightly more favourable.	No improvement in market conditions. Great scarcity of orders.

During the last two years the goods traffic of the German Railway has maintained the level reached towards the end of 1927. As compared with 1928 there has been an increase in the number of ton-kilometers run, but a fall in the actual tonnage transported. When coal transport is eliminated - which is essential this year owing to the exceptional increase in domestic requirements, and has been done accordingly in the column showing the average daily number of cars supplied - it will be seen that traffic declined in the first ten months of the year.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

DATE	Ton-kilometers run*		Goods conveyed*		No. of cars supplied per working day	
	In million ton-kilometers	In % of 1913	In millions of tons	In % of 1913	Total	Total without coal transport
	Monthly average				in 1,000 cars	
1913**	4,286	100.0	33.25	100.0	133.5	69.3
1925	4,664	108.8	31.08	93.5	124.0	72.4
1926	4,918	114.7	31.82	95.7	129.7	77.6
1927	5,407	126.1	36.17	108.8	149.2	89.9
1928	5,589	130.4	36.07	108.5	150.2	91.8
1928) Average of	5,632	131.4	36.40	109.5	150.2	92.3
1929) ten months	5,811	135.6	36.70	110.3	151.7	89.9
1928 1st quarter	5,695	132.9	36.46	109.6	143.4	83.1
2nd "	5,180	120.9	34.21	102.9	148.8	93.3
3rd "	5,872	137.0	36.99	111.2	154.5	97.2
4th "	5,616	127.7	36.67	110.3	154.0	93.5
October ...	6,075	141.7	41.22	124.0	162.0	102.1
1929 1st quarter	5,775	134.7	33.08	99.5	135.7	74.3
2nd "	5,591	130.5	36.78	110.6	158.2	96.4
3rd "	5,896	137.5	38.36	115.4	156.8	95.4
October ...	6,323	147.5	42.10	126.6	165.0	100.7

* Not including goods carried freight free.

** Present territory of the Reich, not including the Saar.

TRAFFIC RETURNS OF THE GERMAN RAILWAY

A = Number of cars supplied per working day

B = Ton-kilometers run

C = Goods traffic

(1925 average = 100)

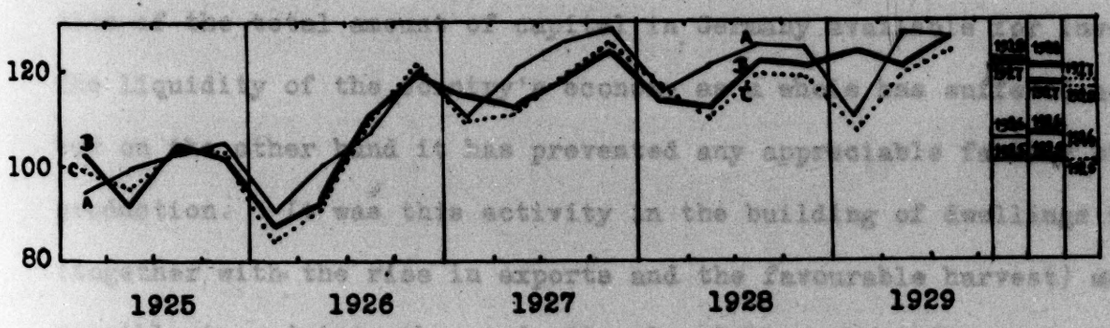
TRAFIC DES CHEMINS DE FER DU REICH

A = Wagons fournis par jour ouvrable

B = Kilomètres-tonnes parcourus

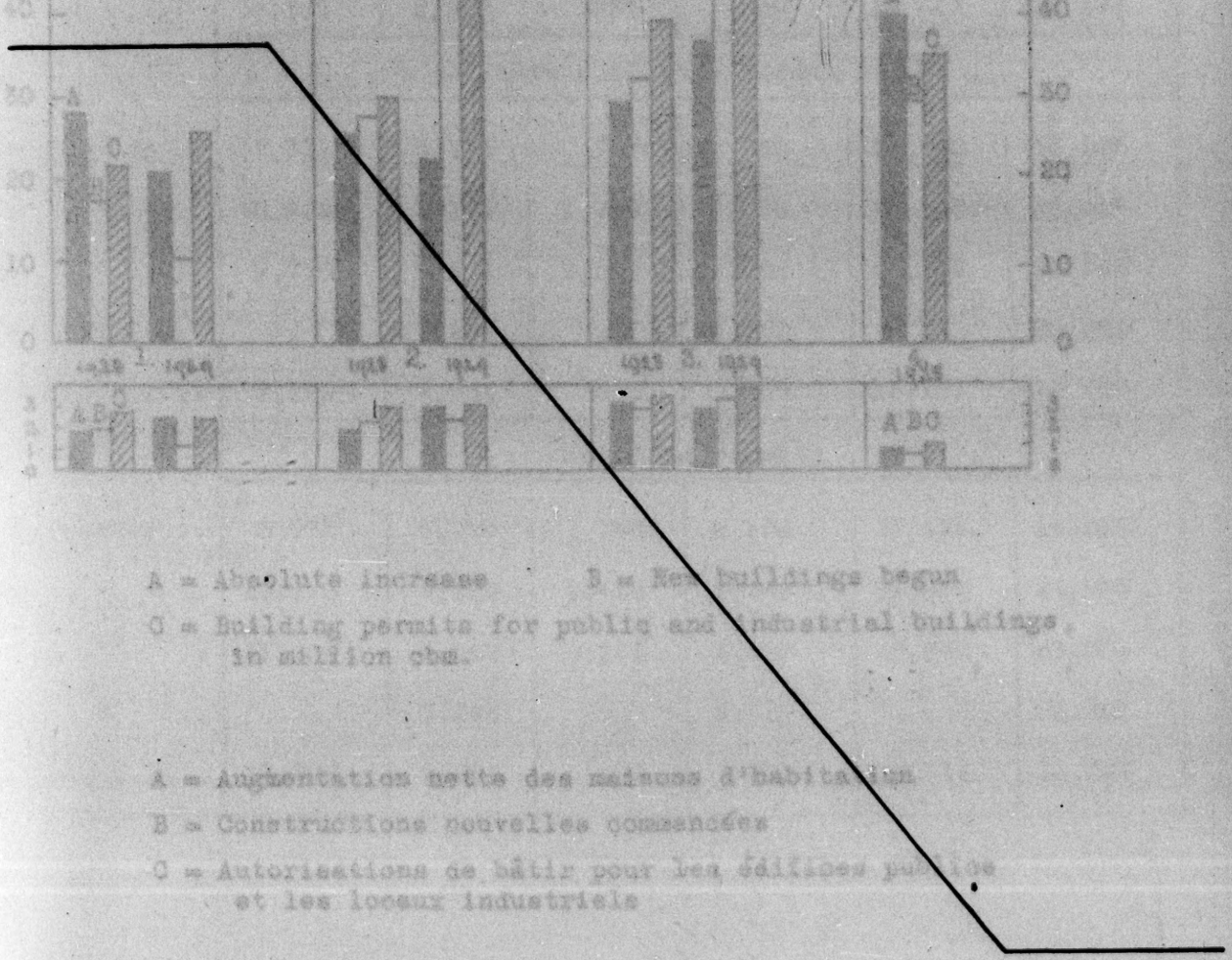
C = Trafic des marchandises

(Moyenne de 1925 = 100)



Building activity during the year which has just closed deserves special attention. Constructional work on public and industrial buildings has fallen off. The difficulties of financing are already making themselves felt in this section of the industry. The number of dwellings built has on the other hand almost equalled the high level of the previous year, as owing to the large demand caused by the movement of population and the very reduced building activity in war and post-war years every effort has been made to obtain capital for the purpose. Capital almost approximating the amount made available last year has been supplied for the construction of dwellings by the savings banks and out of the proceeds of the Rents Tax and public loans, thus absorbing an extremely large proportion of the total amount of capital in Germany available for investment. The liquidity of the country's economy as a whole has suffered accordingly, but on the other hand it has prevented any appreciable falling off in production. It was this activity in the building of dwellings which (together with the rise in exports and the favourable harvest) made it possible to maintain the production level throughout the year, thus helping the German economy to show that remarkable power of resistance which has surprised so many onlookers. Without this, Germany's total output would probably have fallen still further during the past year. Here we find what was to be observed in pre-war days, and has been a conspicuous feature of recent years in the United States, viz. the countering of industrial unemployment by extensive activity in the building of dwelling-houses, whilst vice versa stagnation in the latter results in difficulties of marketing in all branches and consequently in a general fall in production.

The number of new dwellings built in the large and medium-sized towns was greater that that of last year. As, however, the proportion of municipal building activities has increased greatly during the current year when compared with that of the small towns and country districts, the total figure for the year does not probably attain that of last year. In 1928 the average was 4.1 rooms per dwelling built, whereas it probably did not exceed 3.9 rooms per dwelling in 1929. The reduction in the size of the dwellings is also a proof that house-building is urgently required. There are still some 400,000 families more than before the war who are without their own home.



BUILDING ACTIVITY IN THE LARGE AND MEDIUM-SIZED TOWNS

A = Absolute increase B = New buildings begun

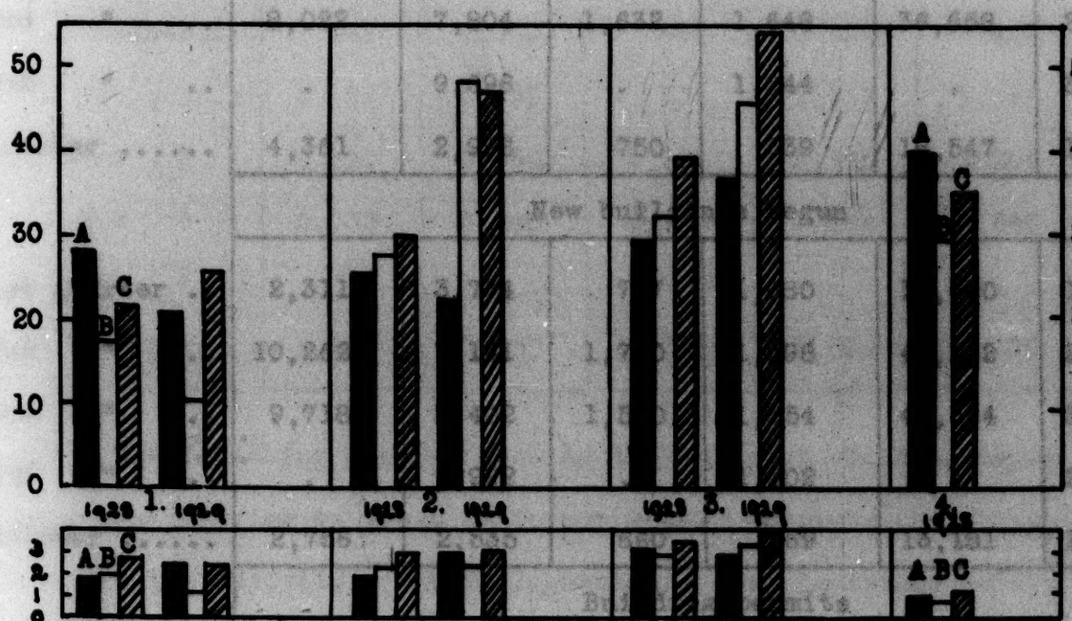
C = Building permits for dwelling houses in 1,000

ACTIVITÉ DU BÂTIMENT DANS LES GRANDES VILLES ET LES VILLES MOYENNES

A = Augmentation nette des maisons d'habitation

B = Constructions nouvelles commencées

C = Autorisations de bâtir pour maisons d'habitation (en milliers)



A = Absolute increase B = New buildings begun

C = Building permits for public and industrial buildings in million cbm.

A = Augmentation nette des maisons d'habitation

B = Constructions nouvelles commencées

C = Autorisations de bâtir pour les édifices publics et les locaux industriels

BUILDING ACTIVITY

In large and medium-sized towns.						
PERIOD	Dwelling-houses		Public and industrial buildings		Dwellings	
	Absolute increase					
	1929	1928	1929	1928	1929	1928
1st quarter ..	4,906	6,688	1,219	1,276	20,784	28,033
2nd " ..	4,840	6,294	1,356	1,513	22,371	25,649
3rd " ..	8,022	7,804	1,632	1,648	36,658	29,436
4th " ..	.	9,696	.	1,844	.	39,769
October	4,361	2,996	750	539	18,547	13,246
	New buildings begun					
1st quarter ..	2,311	3,734	727	1,080	10,600	18,075
2nd " ..	10,262	7,141	1,710	1,598	48,132	28,493
3rd " ..	9,718	8,402	1,550	1,554	45,524	32,609
4th " ..	.	5,922	.	1,502	.	29,484
October	2,756	2,535	660	569	13,181	13,410
	Building permits					
1st quarter ..	5,978	5,777	1,786	2,104	23,124	19,298
2nd " ..	10,670	7,770	2,434	2,558	39,860	24,257
3rd " ..	11,404	9,057	2,271	2,400	48,567	33,701
4th " ..	.	7,596	.	2,310	.	31,121
October	3,296	2,706	882	803	13,914	13,044

NUMBER AND SIZE OF BUILDINGS FOR INDUSTRIAL AND OTHER ECONOMIC PURPOSES IN 82 LARGE AND MEDIUM-SIZED TOWNS IN 1928 AND 1929.

	Building permits		New buildings begun		Buildings completed	
	Number of buildings	1,000 cbm space built on	Number of buildings	1,000 cbm space built on	Number of buildings	1,000 cbm space built on
1928 1st quarter	1,642	2,777	783	1,920	957	1,844
2nd "	2,026	3,048	1,200	2,240	1,296	1,803
3rd "	1,829	3,470	1,145	2,926	1,408	3,152
4th "	1,835	3,036	1,134	2,220	1,581	3,531
October...	643	1,130	432	720	492	930
1929 1st quarter	1,523	2,493	535	1,153	1,145	2,429
2nd "	2,190	3,050	1,351	2,320	1,304	3,010
3rd "	2,033	3,840	1,226	3,360	1,540	2,930
4th "						
October ...	794	1,250	514	1,090	590	1,110

The following figures showing the sales of building materials, which are inferior to those of former years, complete the above figures for building activity. Unemployment has also increased in the building trade, which is due - but only partially - to the increased number of persons applying for work in the trade.

SALES OF BUILDING MATERIALS AND ACTIVITY IN THE BUILDING TRADE

	Sales per working day 1925/26 = 100			Fully employed in the building trade in percentages of the trade union membership
	Lime	Cement	Bricks	
1928				
1st quarter ...	99.3	99.9	96.6	67.1
2nd " ...	164.6	156.0	175.6	90.0
3rd " ...	150.8	156.0	184.8	93.8
4th " ...	81.2	106.3	98.4	73.5
October	114.0	132.2	123.1	91.1
November	88.4	116.6	111.5	82.4
1929				
1st quarter ...	43.9	47.9	40.0	38.5
2nd " ...	185.9	174.1	195.6	86.4
3rd " ...	143.2	157.9	165.3	89.5
October	.	131.8	.	83.5

In the next five years there is reason to anticipate, in view of the increase in births in the years immediately preceding the war, that there will be an appreciable increase in the number of households and consequently a new demand for dwellings. It is the extent of this demand which explains the fact that for a number of years past the provision of dwellings has accounted for a greater proportion of the total volume of capital investments than before the war. Under

the pressure of the shortage of dwellings the German people is devoting a larger part of its income than before to the erection of new houses. All pre-war considerations of cost, which were based essentially on the interest level, have in recent years become meaningless in this connection. They have been dominated by considerations of social welfare. The greater part of the sums put into housing (perhaps three-quarters) are at present derived from the Rents Tax, together with loans by public bodies, mortgages of the savings banks and the public insurance offices. Only a small proportion (perhaps one-quarter) is contributed by the mortgage banks, private insurance companies and the rest of the market.

The harvest was good both in respect of quantity and quality. In quantity it should be a little less than the big harvest of last year, in quality it should be rather better. The raising of livestock products should have increased. Agriculture has thus made an increased contribution to the national economy, which is reflected in the reduction of the surplus of imports over exports of agricultural products. The profits which the agriculturalists derived from the harvest were less satisfactory.

HARVEST RETURNS

Present territory of the Reich not including Saar district	1929[1]	1928	1927	1926	Annual average 1920/25	Annual average 1911/13	1929[1]	1928	1927	1926	Annual average 1920/25	Annual average 1911/13
	in 1.000 tons						in metric quintals per hectare					
Winter rye	8,252	8,401	6,738	6,321	6,141	9,453	17.2	18.5	14.6	13.6	14.5	18.7
Summer rye	110	121	95	85	99	132	13.3	13.5	11.3	10.7	10.5	12.6
Winter wheat	3,228	3,462	2,979	2,355	2,289	3,320	19.6	22.3	18.7	16.2	18.1	22.8
Summer wheat	311	392	301	242	324	445	19.5	22.4	18.8	16.5	10.1	22.1
Spelt	160	168	138	129	155	415	13.3	13.3	11.1	10.3	11.5	14.9
Bread cereals together	12,061	12,544	10,251	9,132	9,008	13,765	approx. 17	19.3	15.6	14.1	15.2	19.4
Winter barley	400	460	399	332	255	.	19.0	25.2	23.1	20.7	22.3[2]	.
Summer barley	2,887	2,887	2,339	2,131	1,989	2,870	19.4	21.6	17.9	16.1	16.3	21.2
Oats	7,441	6,996	6,347	6,325	5,198	7,680	19.6	19.9	18.3	18.2	15.7	19.8
Trifolium	.	53	61	57	37	.	.	11.3	11.7	12.1	10.7[3]	.
Potatoes	38.504	41,269	37,550	30,031	34,231	37,962	135.8	144.9	134.1	108.8	127.7	137.7
Sugar beet	10,030	11,011	10,854	10,495	9,332	13,986	220.2	242.3	250.0	260.5	242.0	299.7[5]
Cattle turnips	21,226	22,644	24,389	23,073	22,513	.	290.7	316.8	345.0	317.9	302.5[4]	.
Clover	.	7,984	9,682	8,589	8,594	7,535	.	44.0	53.0	47.9	44.5	45.9
Lucerne	.	1,488	1,786	1,690	1,445	1,193	.	52.5	64.3	62.1	55.2	57.5
Irrigated meadows ...	.	1,835	2,028	1,627	1,483	2,110	.	46.5	49.6	48.7	45.9	51.8
Other meadows	.	18,878	21,934	21,631	20,053	20,579	.	36.9	43.1	42.1	39.1	42.4

1 Provisional figures.
2 Average 1923/25.
3 Average 1922/25.
4 Average 1921/25.
5 Harvest 1914.

The difficulties in connection with the supply of capital affect agriculture with special severity. The turnover of the capital invested in agricultural productions is necessarily slow for natural reasons, and agriculture is subject, as no other economic activity is, to the uncertainty of results and profits as a result of the weather. Where agriculture is indebted therefore, it is affected by the current rate of interest to an extraordinary extent without being able, as the debtors in industry and commerce are as a rule able, to speed up the turnover of the invested capital in a short space. The agricultural debtors carry a considerable proportion of the charges involved by the economic and political changes, to which the deterioration in the supply of capital during the past year is due. Permanent improvement of the position of the agriculturalists is closely connected with the working up and finishing of agricultural products, the significance of which is shown by the fact that since 1913 the consumption of rye per head of the population has fallen by nearly 1/3, and the total consumption of bread cereals by nearly 1/5, as compared with the pre-war period, whereas the consumption of sugar has risen by ½ and that of butter by 1/5 per cent. These changes in the habits of the population will be discussed at greater length below when the problems of consumption are discussed. The relation between cultivation of the soil and raising of livestock on the other hand has scarcely varied since the war. The tendency to improve the consumption of foodstuffs is international, and is a corollary of economic progress. In the United States the consumption

of bread and flour in 1925, calculated in calories per head of the population per day, declined by ½ per cent, while the consumption of sugar rose by ½ per cent.

Changes in the character of production imply capacity of adjustment and also a considerable outlay of new capital. The present position of agriculture only allows of a gradual change. Any measures which are calculated to accelerate such change are therefore desirable, such as the effective protection of high quality products as compared with low quality products (ensuring a higher price for the former as compared with the latter), as well as the improvement of communications bringing the agriculturalists in closer touch with the centres of production.

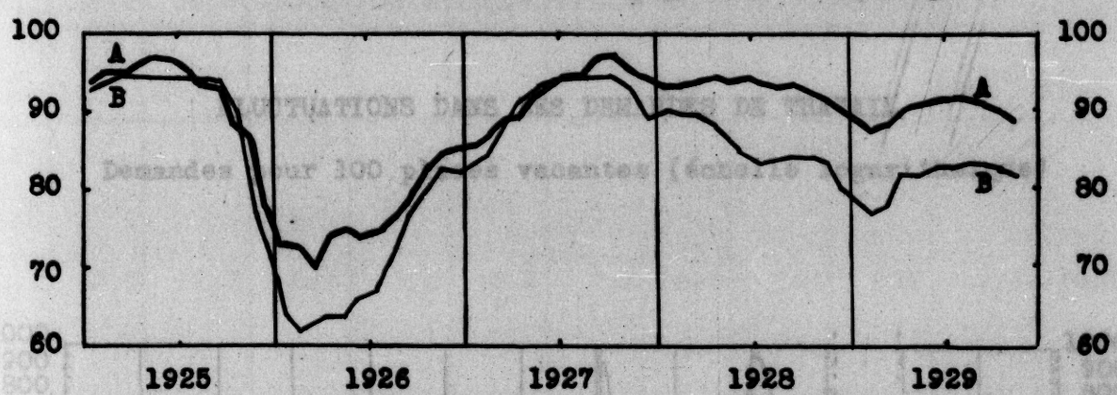
THE LABOUR MARKET

Unemployment shows a marked increase during the current year, and the tendency to increase is stronger in spite of the favourable weather conditions than in the opening months of the past two years. The growth of unemployment as compared with last year was in accordance with the increase of wage-earners (as a result of the growth in the population) throughout practically the whole year. It proved impossible this year to incorporate the increase in the number of wage-earners in the system of production: the number not so included represents approximately 1 per cent of the total number of wage-earners.

FULLY EMPLOYED IN PERCENTAGES OF TRADE UNION MEMBERSHIP

A = Industry manufacturing means of production

B = Industry manufacturing goods for consumption



The fluctuations in the opportunities for obtaining employment are still greater than before the war.

FLUCTUATIONS IN THE NUMBER OF UNEMPLOYED

(Applications per 100 posts)

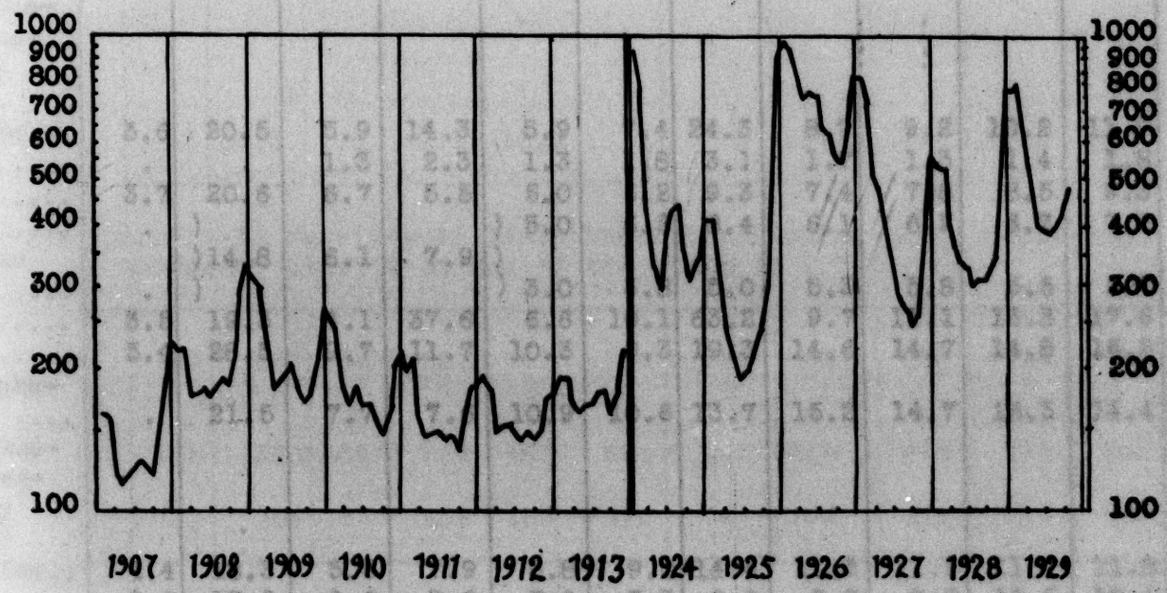
Date	Minimum figure	Maximum figure	Date	Minimum figure	Maximum figure
1907	115	230	1924	289	927
1908	112	330	1925	190	893
1909	168	318	1926	541	963
1910	145	254	1927	246	814
1911	133	210	1928	296	773
1912	140	192	1929	384	798
1913	160	219			

FLUCTUATIONS IN NUMBER OF UNEMPLOYED

(logarithmic level) Applications per 100 posts

FLUCTUATIONS DANS LES DEMANDES DE TRAVAIL

Demandes pour 100 places vacantes (échelle logarithmique)



THE LABOUR MARKET

	1925	1926	1927	1928			1929					
	July	July	July	Jan.	July	Okt.	Jan.	July	Aug.	Sept.	Okt.	Nov.
ercentage of mployed as compared with Jan. 1, 1925.	107.4	98.0	110.0	103.4	112.4	111.3	98.7	112.5	112.3	111.7	110.8	.
pplications per 100 posts	175	578	253	443	270	307	608	343	347	357	422	.
ercentage of nemployment among members of trades nions	3.7	17.7	5.5	11.2	6.3	7.3	19.4	8.6	8.9	9.6	10.9	13.8
the industries manufacturing eans of roduction...	3.6	20.5	5.9	14.3	5.9	7.4	24.3	8.7	9.2	10.2	11.9	.
ining	.	.	1.3	2.3	1.3	1.8	3.1	1.7	1.3	1.4	1.8	1.8
etal	3.7	20.6	6.7	5.5	5.0	6.2	9.3	7.4	7.8	8.5	9.3	11.0
emical	.	)			) 5.0	6.2	8.4	6.1	6.2	6.7	7.8	9.7
per manufacture	.	)14.8)	6.1	7.9	)) 3.0	3.8	5.0	5.3	5.8	5.5	5.7	7.5
ilding	3.5	19.3	4.1	37.6	6.6	10.1	63.2	9.7	11.1	13.3	17.6	27.4
mber	3.4	28.5	9.7	11.7	10.3	9.3	19.3	14.6	14.7	14.8	15.5	17.5
ather manufacture	.	21.5	7.7	7.6	10.9	10.6	13.7	15.2	14.7	15.3	14.4	14.9
the industries manufacturing oods for consumption..	4.4	18.3	5.5	7.9	8.8	9.0	14.4	11.3	11.1	11.1	11.8	.
xtiles	2.8	17.2	2.6	3.2	7.0	7.3	8.0	9.7	9.9	10.5	10.4	10.3
othing	.	34.5	15.2	17.4	19.4	16.1	24.3	19.9	18.2	17.0	16.1	18.0
ather reating	.	30.1	9.7	11.5	16.3	14.2	22.0	20.6	21.5	20.8	21.5	22.9
odstuffs and luxury foodstuffs .. which obacco ndustry	8.1	14.0	6.9	7.1	6.4	6.3	11.3	10.0	9.1	8.5	8.2	8.8
	.	.	7.1	5.7	8.0	9.5	16.1	15.1	12.7	11.5	11.6	11.4
inters	1.2	))10.9)	4.4	) 3.8)	4.8	6.0	6.7	9.1	9.9	10.6	10.8	10.3
okbinders ..	.	)		) 6.8	6.8	6.4	9.5	12.2	12.5	11.0	10.4	9.6
ramic	.	18.4	3.9	12.7	6.3	10.0	23.3	8.1	8.3	10.3	15.3	14.3

THE LABOUR MARKET (continued)

	1925	1926	1927	1928			1929					
	July	July	July	Jan.	July	Okt.	Jan.	July	Aug.	Sept.	Okt.	Nov.
Percentage of part-time work among members of trades unions	5.8	16.6	2.6	3.5	6.5	6.8	8.7	6.9	7.0	6.8	7.0	7.3
In the industries manufacturing means of production....	3.1	15.4	2.1	2.6	3.5	4.6	6.7	4.7	5.2	5.3	5.7	.
In the industries manufacturing goods for consumption ..	9.1	26.5	4.0	7.1	16.6	15.5	17.6	15.7	14.4	14.4	13.6	.
Unemployed persons in receipts of basic benefit including those receiving emergency benefit at end of the month in 1,000.												
Total	197	1,652	633	1,561	647	764	2,392	864	883	910	1,061	30.11. 1,387*
of which:												
male	175	1,328	501	1,347	467	594	2,045	625	654	695	833	1,113
female	22	324	132	214	180	170	347	239	229	215	228	274

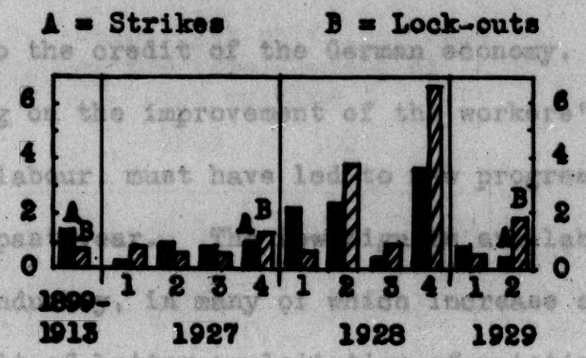
* Approx. 1,540,000 unemployed persons in receipt of basic benefit on December 15, 1929.

THE LABOUR MARKET ACCORDING TO THE REPORTS OF THE PROVINCIAL LABOUR OFFICES

June to October	The seasonal relief of the labour market only lasted until August this year instead of October. From then onwards the number of unemployed began to rise.
November:	
1st week	Further increase in winter difficulties. Agriculture and the building industry continue to dismiss labour.
2nd week	Seasonal dismissals increase rapidly.
3rd week	The steady downward movement of employment is mainly due to seasonal influences.
4th week	Increase in unemployment is more rapid.
December:	
1st week	The seasonal pressure on the labour market has distinctly increased.
2nd week	The number of unemployed is rising swiftly.
3rd week) 4th week)...	Unemployment again increases rapidly.

The <u>desire to work</u> is great and the number of applications for vacant posts was much higher each month than in the previous year. Germany is one of the most industrious countries. Whilst approximately 70 per cent of the male and approximately 36 per cent of the female population in Germany, or about 52 per cent of the total population is engaged in earning its living, the percentages in the United States (also one of the most industrious countries) were only about 61 per cent in the case of males and above all only 17 per cent in the case of females, or scarcely 40 per cent of the total population, according to the last census of 1920.

LABOUR DISPUTES



It is partially this willingness to work and partially the preventive effect of the arbitration system which are responsible for the small number of labour disputes as compared with pre-war days. During the current year the number of disputes has fallen, with the result that there were fewer strikes than lock-outs. This development is also symptomatic of the business position.

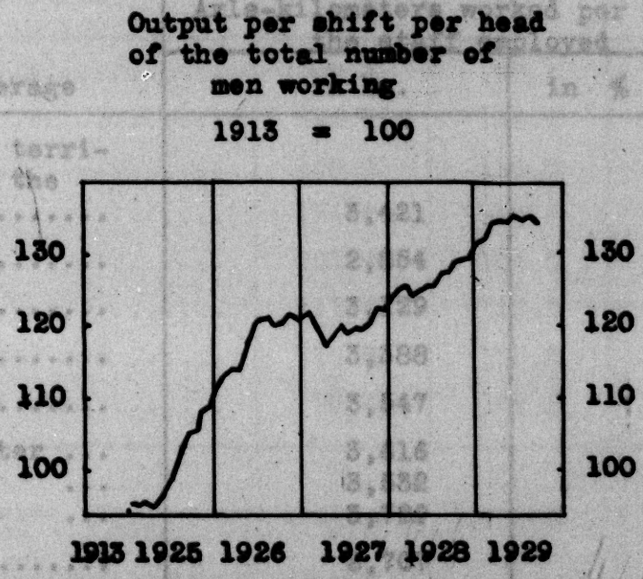
LABOUR DISPUTES

	Working days lost in millions		
	Total	due to	
		Strikes	Lock-outs
1899-1913 Quarterly average	2.11	1.41	0.70
1927 1st quarter	1.04	0.26	0.78
2nd "	1.39	0.87	0.52
3rd "	1.35	0.80	0.55
4th "	2.22	0.94	1.28
1928 1st "	2.75	2.17	0.60
2nd "	6.06	2.34	3.72
3rd "	1.17	0.34	0.83
4th "	10.17	3.61	6.56
1929 1st "	1.47	0.76	0.71
2nd " *	2.20	0.40	1.80
3rd "			

* Provisional results.

The widespread readiness to work and to increase output is a valuable asset to the credit of the German economy. The increase of output, following on the improvement of the workers' equipment and the organisation of labour, must have led to new progress in a number of concerns in the past year. The few figures available for 1929 apply to branches of industry, in many of which increase of output is rendered easier as a result of better exploitation of existing plant. Much of the other statistical material does not extend beyond the year 1928, and does not justify conclusions as to developments in the case of groups whose production is on the decline. It frequently happens, especially at the beginning of a period of recession in the business cycle, that the output per head drops for the reason that the number of labourers cannot be reduced to an extent corresponding with the decline of production. American enquiries point in the same direction, and go also to show that the large increase of output which is observable in the United States since 1920 is to a great extent a reaction from the decline of output between 1914 and 1919, i.e. is (in part) a catching up of arrears. The rate at which output has been increased has declined in the United States in recent years.

OUTPUT IN THE RUHR COAL MINING INDUSTRY



DEVELOPMENT OF OUTPUT IN THE RUHR COAL MINING INDUSTRY

DATE	Output per shift				Total number of men employed	
	per head of the underground workers		per head of the total number of men employed		Absolute total in 1,000	in % of 1913
	in kg.	in % of 1913	in kg.	in % of 1913		
1913	1,161	100.0	943	100.0	426	100.0
1924	1,079	92.9	857	90.9	463	109.6
1925	1,179	101.6	946	100.3	434	101.6
1926	1,374	118.4	1,114	118.1	384	90.4
1927	1,386	119.3	1,132	120.0	408	95.8
1928	1,463	126.0	1,191	126.3	382	89.7
1929						
January	1,521	131.0	1,240	131.5	365	85.7
February	1,536	132.3	1,248	132.3	366	85.9
March	1,551	133.6	1,261	134.1	368	86.4
April	1,561	134.5	1,269	134.6	370	86.9
May	1,563	134.6	1,269	134.6	372	87.3
June	1,564	134.7	1,277	135.4	376	88.3
July	1,550	133.5	1,270	134.7	379	89.0
August	1,560	134.4	1,278	135.5	382	89.7
September	1,552	133.7	1,268	134.5	384	90.1

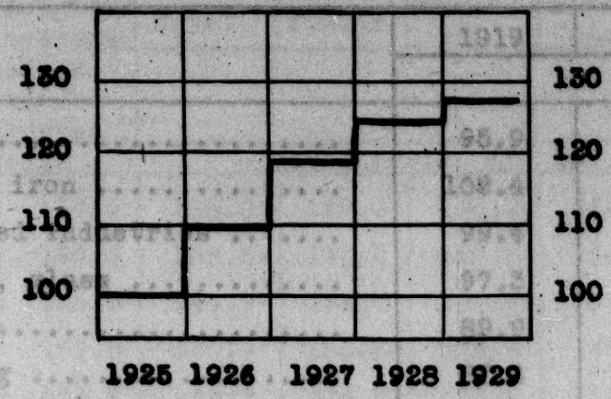
OUTPUT OF THE GERMAN RAILWAY COMPANY

DATE Monthly average	Axle-kilometers worked per head of the staff employed	
	in km.	in % of 1913
1913 (present territory of the Reich)	3,421	100.0
1925	2,854	83.4
1926	3,129	91.5
1927	3,388	99.0
1928	3,547	103.7
1929 1st quarter ...	3,616	105.7
2nd " ...	3,532	103.2
3rd " ...	3,729	109.0
October	3,707	108.4

OUTPUT OF THE GERMAN RAILWAY

Axle-kilometer worked per head of staff employed

(1925 = 100)



OUTPUT IN THE MACHINE-BUILDING INDUSTRY

1st quarter 1925 = 100	1925	1926	1927	1928	1929
	106.5	126.0	142.0	133.0	142.0

DEVELOPMENT OF OUTPUT IN OTHER BRANCHES OF GERMAN INDUSTRY.

BRANCH OF INDUSTRY	1913 = 100			
	1925	1926	1927	1928
Coal	82.9	98.3	98.6	101.4
Lignite	115.1	122.6	140.6	154.1
Potash	129.7	116.0	152.3	167.6
Cement	124.0	144.4	164.0	174.4
Automobile	252.0	288.0	505.0	503.0
Iron ore	111.6	113.8	125.8	129.1
Arsenic and copper ore	110.8	125.3	140.0	145.6
Lead, silver and zinc	96.3	107.5	112.7	137.3

The following figures are available showing the increase in output in America.

The American figures cannot be compared with the above German figures because of their more comprehensive character.

DEVELOPMENT OF OUTPUT IN AMERICAN BRANCHES OF INDUSTRY.

	1919	1925	1927
	1914 = 100		
Iron and steel	95.9	131.9	135.3
Metals other than iron	102.4	163.6	176.7
Chemical and allied industries	99.4	152.3	.
Stones and earths, glass	97.3	151.3	156.3
Timber	89.9	108.5	109.5
Paper and printing	87.4	122.7	127.6
Textiles	92.2	105.4	117.5
Leather industry, boots and shoes	98.0	101.1	112.9
Foodstuffs	88.0	126.1	126.5
Tobacco	152.2	236.8	313.1
Rubber	128.5	256.0	.
Total industries	96.3	134.0	139.6

The following figures have been published with regard to the development of output in the European coal mining industry:

DEVELOPMENT OF OUTPUT IN THE EUROPEAN COAL MINING INDUSTRY.

YEAR	1913 = 100, Great Britain only 1914 = 100					
	Ruhr	Great Britain	France	Belgium	Holland	Polish Upper Silesia
	per head and shift of the total number of men employed.					
1920 ..	66.9	72.6	68.3	91.7	87.1	-
1924 ..	90.9	87.8	78.9	87.3	103.1	60.6
1925 ..	100.3	88.8	80.2	89.4	116.5	85.1
1926 ..	118.1	92.0	88.1	96.9	140.9	100.2
1927 ..	120.0	102.5	87.2	97.9	143.5	107.1
1928 ..	126.3	106.2	93.5	104.9	161.7	113.9
1929* ..	134.2	110.0				

* 10 months.

Wages rose still further during the current year.

HOURLY WAGE OF SKILLED WORKERS.

DATE	Weighted average of 12 categories	Metal	Timber	Chemical	Building	Textile	Cost of living
	Industries						
	Percentages of 1913						
1925	130.8	128.0	142.0	140.9	146.2	134.4	139.6
1926	140.7	138.3	155.2	149.5	160.7	143.2	141.1
1927	148.2	144.2	164.7	159.3	167.8	155.0	147.6
1928	159.5	150.9	181.8	174.4	179.5	170.7	151.7
1928 1st quarter.	153.7	149.8	174.8	161.9	172.4	168.2	150.7
2nd " .	159.0	153.2	180.3	175.1	177.7	170.6	150.9
3rd " .	161.4	151.8	182.4	178.6	180.8	171.6	152.8
4th " .	163.3	149.0	189.8	181.4	187.2	172.7	152.4
1929 1st quarter.	164.1	150.6	189.8	181.4	187.4	174.3	154.7
2nd " .	167.1	152.8	191.4	185.1	192.9	175.2	153.5
3rd " .	168.1	153.9	195.0	189.3	195.8	176.3	154.0
October	168.7	153.9	195.0	189.3	196.0	176.3	153.5
November ...	168.9	154.3	197.0	189.3	196.0	176.3	153.0

The average earnings must however have remained unchanged, as the number of hours worked overtime and the supplements will have been reduced. According to calculations made by the Institut für Konjunkturforschung, the earnings appear to have fallen since the middle of the year. The following table of weekly wages is based on an equal number of working hours. It does not show the readjustments due to altered hours of work in the individual groups.

WEEKLY WAGE OF WORKERS

PERIOD	Weekly wage with regular working hours										Cost of living	
	Skilled workers					Unskilled workers						
	1925	1926	1927	1928	1929	1925	1926	1927	1928	1929	1928	1929
	Weighted average in percentage of 1913										1913/14=100	
1st quarter	111.6	130.4	132.0	141.5	151.1	124.6	144.7	146.9	159.4	174.6	150.7	154.7
2nd "	119.4	130.3	138.0	146.8	154.8	132.3	144.7	154.7	165.7	177.9	150.9	153.5
3rd "	125.8	130.5	139.1	148.7	155.2	139.3	145.1	155.7	169.4	179.5	152.8	154.0
4th "	129.4	131.3	139.8	150.5	155.3*	143.3	146.2	156.9	173.5	179.8*	152.4	153.2*

* Average October/November.

WAGES AND COST OF LIVING
(1913 = 100)

A = Index of cost of living

B = Weekly wage of unskilled workers

C = Hourly wage of skilled workers

D = Weekly wage of skilled workers

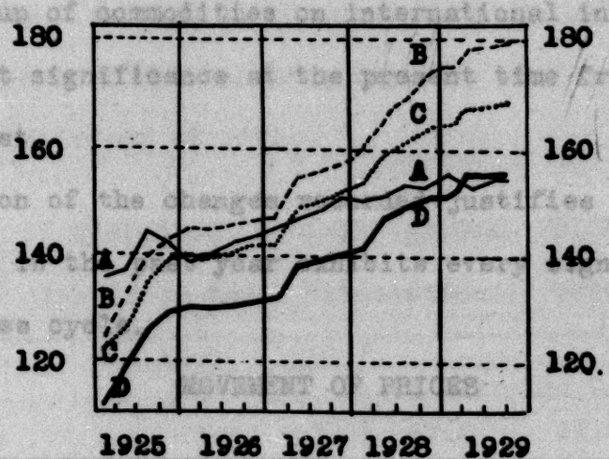
SALAIRES ET CÔUT DE LA VIE
(1913 = 100)

A = Indice du coût de la vie

B = Salaires hebdomadaires des ouvriers non qualifiés

C = Salaires horaires des ouvriers qualifiés

D = Salaires hebdomadaires des ouvriers qualifiés



THE MOVEMENT OF PRICES.

The general price level has fallen. The fall is most marked in the case of the group of commodities which reflects the movements of the business cycle: this group exhibited a similar heavy fall of prices in the previous year. The general downward movement which emerges from the following table is particularly remarkable in view of the fact that many of the prices shown are subject to the influence of cartels and not determined by the play of supply and demand in a free market. The significance of the movement of prices as an indication of the tendency of the business cycle is therefore different from what it would have been in previous periods. Moreover the dependence of the prices of this group of commodities on international influences also tends to give it a different significance at the present time from that which it would have had in the past.

Consideration of the changes recorded justifies the conclusion that the movement of prices in the past year exhibits every sign of a recessive movement of the business cycle.

MOVEMENT OF PRICES

DATE	Commodities affected by trade conditions	General index figure	Agricultural products	Industrial raw materials and half-finished goods	Industrial finished goods	
					Means of production	Articles of consumption
	Monthly average (1913 = 100)					
1924	144.5	137.3	119.6	142.0	128.5	177.1
1925	143.8	141.8	133.0	141.0	135.9	172.4
1926	117.1	134.4	129.3	129.7	132.5	162.2
1927	128.4	137.6	137.8	131.9	130.2	160.2
1928	134.7	140.0	134.3	134.1	137.0	174.9
1928 1st quarter	139.6	138.4	131.2	133.8	135.2	172.9
2nd "	135.8	140.7	135.1	134.7	136.5	174.9
3rd "	133.7	141.0	136.1	134.3	137.9	175.8
October....	129.5	140.1	134.8	133.4	138.6	176.1
November ..	128.0	140.3	135.2	133.5	138.5	176.1
1929 1st quarter	128.8	139.3	133.1	134.0	137.5	174.0
2nd "	122.0	135.9	126.2	132.0	138.0	172.3
3rd "	118.9	138.0	132.5	131.4	139.3	170.9
October ...	117.2	137.2	131.7	130.9	139.6	169.5
November ..	114.0	135.5	128.4	129.9	139.6	169.2

Prices on the world market also fell in the course of the year. The following table shows the changes in the price level in the case of three groups of countries engaged in international trade. The first group consists of countries, whose currencies have not depreciated or have only slightly depreciated in recent years or, if they have depreciated, have been raised again to the pre-war level. The second group consists of countries which have reorganised their currencies in the course of the last four years on a depreciated basis. The third group contains certain important Asiatic countries. Prices tended to sink in all countries during 1929: in the case of the first and third group they are below the level of 1926, and even in the case of the second group they are no longer far off the position at the beginning of 1926.

COMPARISON OF INTERNATIONAL PRICES

(based on index calculations) 1926 = 100

		1927	1928	1929				
		Average		1st Qtr.	2nd Qtr.	3rd Qtr.	Oct.	Nov.
Group I	(U.S.A.	95.0	98.0	97.0	96.0	98.0	96.0	.
	(Great Britain	95.3	94.6	93.9	92.6	91.9	91.9	.
	(Holland	102.1	102.8	100.7	97.9	97.2	96.5	.
	(Switzerland..	97.9	100.0	98.6	95.9	98.6	97.9	.
	(Sweden	98.0	99.3	96.6	94.0	94.0	.	.
Group II	(Germany	103.0	104.5	103.7	101.5	103.0	102.2	101.1
	(France	107.7	107.7	110.3	107.7	104.3	102.6	.
	(Belgium	102.5	102.5	104.2	103.3	103.1	.	.
	(Italy	106.1	102.3	103.1	100.8	98.5	97.7	.
	(Poland	113.3	114.3	111.4	108.6	106.7	.	.
Group III	(British India	98.2	97.0	99.4	94.6	96.1*	.	.
	(China	95.3	92.3	89.9	85.8	84.6*	.	.
	(Japan	95.9	94.1	92.3	88.8	90.8*	.	.

* Average July/August.

COMPARISON OF INTERNATIONAL PRICES

(Average 1926 = 100)

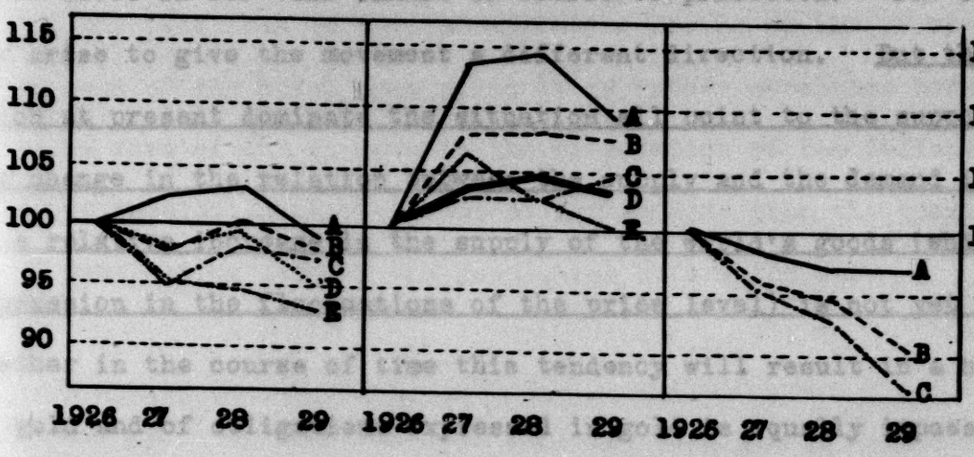
	A = Holland		A = Poland		A = British India
	B = Switzerland		B = France		
Group I	C = U.S.A.	Group II	C = Belgium	Group III	B = Japan
	D = Sweden		D = Germany		C = China
	E = Great Britain		E = Italy		

COMPARAISON INTERNATIONALE DES PRIX

(Moyenne de 1926 = 100)

	A = Pays-Bas		A = Pologne
	B = Suisse		B = France
1er Groupe	C = Etats-Unis d'Amérique	2e Groupe	C = Belgique
	D = Suède		D = Allemagne
	E = Angleterre		E = Italie

3e Groupe: A = Indes anglaises; B = Japon; C = Chine



Since 1920 prices on the international market have been falling. The movement has at times been interrupted, and has not been the same in the different countries or in the different groups of commodities. The increase of prices in the war period was in the main a consequence of the under-production and the uneconomic utilisation of products during that period. Since then great progress has been made both in the development of production and in the productive use of the goods produced with the result that the world's stocks have been gradually built up again and the relation of the supply to the demand has accordingly changed. A further effect has been a reduction in the costs of production, which is greater than the increase in the world's expenditure, with the result that the world's formation of capital has been able to increase from year to year. This makes further developments of productive activity and so of the volume of production probable. In the last century after heavy increases of prices during a period of war and political unrest the world passed into a phase of lower prices as the tension was relaxed. The future movements of the price level in our time cannot of course be predicted. New circumstances may arise to give the movement a different direction. <u>But the factors which at present dominate the situation all point to the supposition that the change in the relation between the supply and the demand in the direction of a relative increase in the supply of the world's goods (which finds expression in the fluctuations of the price level) is not yet at an end.</u> Whether in the course of time this tendency will result in a higher value of gold and of obligations expressed in gold is equally impossible to foretell. There are still considerable improvements which might be made in the process of production and above all in the use of gold, which would tend to counteract increases in the value of gold.

CONSUMPTION.

As a result of the increased industrial activity during the last few years there has been a gradual recovery in the consumption of the German people from the privations of the war and the inflation. There has been an improvement both quantitatively and qualitatively. Down to 1928 the consumption per head of the total population must have increased by a few points per cent beyond the pre-war figures. This corresponds, in view of the greater proportion of middle aged persons in the total population, to approximately the pre-war expenditure per head. German consumption is thus noticeably behind that of the other industrial countries. In 1929 the consumption of the German people ceased to increase, as appears both from the figures given above with regard to the amount of earned income in the current year and by the figures which follow with regard to the sales of consumption goods on the home market.

The consumption of meat during the first three quarters of the year was less than in the corresponding period of the previous year. Per head of the total population it is rather more than before the war; but in view of the changes in the proportions of the different ages of the population it works out at rather less than the consumption of the meat-eating part of the population before the war.

CONSUMPTION OF MEAT

Per head of the total population in kg.					
	1913	1926	1927	1928	1929
1st quarter	12.30	11.49	12.15	13.68	13.40
2nd "	11.91	10.28	11.71	12.39	12.00
3rd "	12.17	10.85	11.80	12.34	12.24
4th "	13.18	12.68	14.19	14.43	.
Annual consumption	49.56	45.30	49.85	52.84	.
Per head of total population in % of 1913					
	1913	1926	1927	1928	1929
1st quarter	100.00	93.40	98.80	111.30	108.90
2nd "	100.00	86.30	98.30	104.00	100.80
3rd "	100.00	89.10	97.00	101.40	100.60
4th "	100.00	96.20	107.70	109.50	.
Annual consumption	100.00	91.40	100.60	106.60	.
Per head of meat-consuming population in % of 1913					
Annual consumption	100.00	85.9	94.5	100.4	.

The turnover of the consumers' co-operatives exceeded the volume of pre-war days by a few points, if allowance is made for the rise in prices indicated in the index of the cost of living. It is difficult to form any estimate of the rise in consumption corresponding to this turnover, because the number of categories of goods sold has increased.

TURNOVER OF CONSUMERS' CO-OPERATIVES

Average turnover per head of the membership	1927	1928	1929	1927	1928	1929	Index of cost of food		
	in RM			Percentage of 1913			1927	1928	1929
1st quarter	6.08	7.76	9.19	108.6	138.6	164.1	151.4	151.4	156.1
2nd "	6.50	8.07	8.90	116.1	144.1	158.9	151.3	151.3	154.0
3rd "	6.74	8.12	8.99	120.4	145.0	160.5	152.6	154.6	155.0
4th "	8.46	9.28	9.74*	151.1	165.7	174.0*	152.1	152.2	153.4*

* Average October/November.

Turnover in the remaining branches of retail trade shows a downward tendency in most groups, and the big stores - where the increase in sales has been especially lively in recent years - have also not escaped.

TURNOVER OF RETAIL TRADE

PERIOD	Coffee and tea	Drugs	Textiles	Women and girls ready-made clothing	Men and boys ready-made clothing	Boots and shoes	Index of prices for articles of consumption
	in percentages of the corresponding pre-war period						
1929							
1st quarter	105.8	103.5	98.5	88.5	97.0	99	100.6
2nd "	90.9	102.4	97.3	91.0	96.1	91	98.5

TURNOVER OF THE BIG STORES

PERIOD	Total turnover	Foodstuffs and luxury foodstuffs	Clothing	Women and girls ready-made clothing	Men and boys ready-made clothing	Household effects and furniture	Index of prices for articles of consumption
	in percentages of the corresponding pre-war period						
1928							
1st quarter	115.8	136.8	113.9	110.5	117.9	114.2	114.3
2nd "	113.6	137.8	112.6	107.1	94.5	112.4	112.3
3rd "	112.0	122.1	108.7	106.6	97.9	112.4	108.1
4th "	107.2	112.0	104.8	101.8	103.0	110.5	102.8
October ...	110.0	123.9	106.4	103.9	103.4	113.8	104.0
1929							
1st quarter	104.2	134.2	101.0	93.2	98.0	103.1	100.6
2nd "	97.5	110.8	95.9	87.1	91.7	106.1	98.5
3rd "	98.3	124.9	95.2	90.8	89.5	106.5	97.2
October ...	100.1	130.9	97.9	88.5	87.4	102.0	96.2

The activity in the construction of dwelling houses has led to a slight increase in consumption. A part, though still only a small part, of the arrears dating from the war and the period immediately after the war has been made up in recent years.

Side by side with this tendency under the influence of the business cycle to revert to the pre-war levels there has been a change in the distribution of consumption which does not apply to Germany alone but is world-wide. There is a transition from the rougher consumption goods of almost every kind to finer varieties, and a simultaneous increase of the expenditure on comfort, education and social welfare. The consumption of rye and to a slightly less extent of wheat has gone down, while the consumption of butter and sugar has gone up: less alcohol, coffee and herrings are now consumed, and more eggs, milk, chocolate and fruits: less cotton and more artificial silk. Less gas is used for lighting and more for heating. The consumption of electric light and electric power for domestic purposes and for transportation has risen absolutely as well as relatively in respect of both comfort and speed. The expenditure on education, physical culture, hygiene and public welfare in general has all risen. The following table illustrates these changes.

SYMPTOMS OF THE RE-GROUPING OF CONSUMPTION

Consumption below pre-war level										
YEAR	Foods								Clothing	Comfort
	Rye *	Wheat *	Potatoes *	Herrings **	Beer ***	Potable spirits ***	Coffee **	Spices **	Cotton	Incandescent mantles for gas lighting
	Consumption per head of the population in percentage of 1913									
1913 ...	100.0	100.0	100.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1925 ...	74.8	74.8	83.1	72.7	64.4	46.0	54.4	77.3	81.6	42.9
1926 ...	63.5	80.0	54.4	64.6	64.9	48.8	63.2	78.8	64.7	38.0
1927 ...	67.2	89.7	69.8	69.6	68.9	62.2	73.9	83.7	98.8	40.9
1928 ...	.	.	.	70.7	73.1	66.6	81.6	90.1	74.4	35.1
1929 ...	.	.	.	.	74.2	.	.	.	.	.

* The years indicate harvest years, e.g. 1913 = July 1913/June 1914.

** Per head of the meat-consuming population, which almost covers the same circle as the herring, coffee and spices consumer-groups.

*** Per head of the alcohol-consuming population.

SYMPTOMS OF THE RE-GROUPING OF CONSUMPTION (continued)

Consumption above pre-war level										
YEAR	Foods					Clothing	Comfort	Health		Education
	Butter	Eggs	Sugar	Cocoa	Tropical fruits	Artificial silk	Bulbs for electric lighting	Hospital beds	Practising doctors	Students attending higher grade educational institutions
	Consumption per head of the population in percentage of 1913							Expenditure in percentage of 1913 per inhabitant		
1913 ...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1925 ...	116.0	92.3	106.4	166.3	137.2	252.6	154.1	114.0	141.5	107.0
1926 ...	115.3	94.2	108.0	127.3	139.6	344.5	180.4	117.3	.	116.3
1927 ...	120.9	106.9	114.3	145.5	151.4	545.1	221.6	121.0	152.1	128.5
1928 ...	121.5	108.8	121.2	157.2	180.2	599.5	227.1	.	159.6	146.8
1929 ...	.	.	125.6	.	.	.	.	.	.	.

This change in the distribution of consumption involves additional capital expenditure which in the initial stage represents a heavier economic charge than corresponds to the increase in consumption. Large amounts of capital investment are required to make the new consumption possible, and it will be years or decades before this capital is converted into consumption, and the process is equally incomplete in the case of past capital investments in the machinery of consumption.

FOREIGN TRADE.

The pressure of reparations forces Germany to increase the proportion of her exports. Progress in this direction was made in the past year. The increase of exports in the first three-quarters of the year was not sufficient to make good the decline of sales on the home market; but it helped to slow down the decline of production. Exports in the last few months of the year were not much behind the highest monthly average of the pre-war period, viz. the averages of the year 1913, if allowance is made for the changes in prices and the figures are calculated per head of the population.

EXPORTS

DATE	Free Exports (not including gold and silver)					Deliveries in kind on reparation account
	Total	of which			per head of the population	
		Food-stuffs	Raw materials	Finished goods		
	in millions of RM				in RM	in millions of RM
1913	841	89	190	562	12.5	-
1924*	552	35	77	439	8.9	32
1925*	744	44	139	560	11.9	43
1926*	827	40	197	589	13.2	52
1927*	865	35	190	638	13.7	48
1928*	982	51	192	719	15.4	55
1929**	1,065	60	211	792	16.6	67
1929						
January	1,036	64	210	760	16.2	69
February	921	47	183	690	14.4	52
March	931	49	190	691	14.5	52
April	1,164	82	232	848	18.2	67
May	1,099	74	222	801	17.2	77
June	1,016	59	192	764	15.9	63
July	1,031	43	207	780	16.1	69
August	1,124	45	223	855	17.5	67
September	1,136	63	226	846	17.7	68
October	1,165	78	220	865	18.2	89
November	1,094	61	218	813	17.1	60

* Amended according to data received from the Statistical Office of the Reich.

** 11 months.

The increase in exports is not due to dumping. The average export prices during the first eleven months were just as high as in the same period of the preceding year. Almost every form of goods shared in the expansion.

The principal reasons for the progress recorded were first the activities of foreign countries in respect of capital improvements, which increased the ability of the international market to take German products, and last but not least the hard work put in by German producers in past years, which is now beginning to bear fruit. The peaceful political development throughout the world, the resumption by Germany of her place in the international economic system, and the removal of open and secret handicaps imposed upon the German trader during and after the war, also played their part. The great difficulties, which stand in the way of German trade even today, represent an unfair increase in the reparation burden, and go far to make more arduous the in any case difficult task of transforming the economic system of Germany in such a way as to create that increase in the volume of exports on which the payment of the reparation charges ultimately depends.

Further efforts will be required to fortify the position of Germany in the international market. While the first result of capital improvements in foreign countries may be to create favourable openings for German goods, it must not be forgotten that the capital improvements frequently mean increase of the producing capacity and technical development of the countries concerned, which lead later to increased competition on the world market. The activity in connection with capital improvements appears however to have reached and passed the maximum point in many countries, and a slowing down of the process is reported from others.

ECONOMIC SITUATION IN SOME IMPORTANT COUNTRIES AT THE TURN OF THE YEAR 1929/30.

France	The favourable situation continues unabated. Increased output is predominantly sold on the home market; exports show a further decline. Abundance of funds at low interest rates on the money and capital markets.
Great Britain	Signs of economic recovery are to be noted. Scarcely any progress has however been made with the reorganisation of the exporting industries; exports have not increased. The state of the capital market justifies the expectation of a slight improvement of the situation.
Belgium	The business cycle has passed the peak. Production maintains a high level, but activity in the building trade and in the steel and iron producing industries is declining. The bank of issue is endeavouring to stem the movement by extending credit facilities.
Netherlands	Successful maintenance of the level of production and favourable export conditions conduce to a relatively favourable situation. The fall of share quotations appears to damp enterprise to a certain degree.
Spain	The general position continues unfavourable despite a satisfactory harvest and a satisfactory degree of production in some industries. The uncertainty prevailing with regard to currency policy combined with the outflow of funds to foreign countries is likely to prevent a definite improvement.
Italy	A slight decline in the activity of the most important industries. A marked increase of insolvencies and protested bills. No decisive improvement is to be expected in the near future.
Austria	Production is on the decline and below the level of last year; unemployment figures continue to rise. The money market has of late been slightly easier.
Switzerland	The favourable economic situation in general continues.
Czecho-Slovakia	A decline of general business activity has to be recorded; the number of insolvencies is increasing. Exports have increased steadily during the last few months.
Rumania	Stabilisation depression continues. Harvest very good with the exception of sugar. Of late there has been an influx of foreign capital.

Poland	The trade decline continues, unemployment increases, tension prevails as before on the money and capital markets. The output of coal has increased. Harvest satisfactory. Foreign trade shows improved exports.
Sweden	Further improvement in the economic situation
U.S.A.	Decline in building activity, and in the output of the automobile industry and production of steel. General enterprise on the decline. It is doubtful whether the tendency can be arrested by State intervention.
Argentina	Decline of trade. Increase in insolvencies; outbreak of labour disputes. The lack of confidence resulting from the currency policy pursued continues to prevail.
Brazil	The slump continues. Scarcely any signs of improvement.
Chile	The economic situation continues favourable, but a restriction of nitrate production is to be expected.
Canada	Trade decline commences. Wheat harvest poor.
Dutch East Indies	Trade in general continues moderate. Increased building activity. Sugar crop satisfactory.
British India	Position not uniform. Further developments depend upon the results of restricted production of rubber and tin and upon price movements.
South Africa	Trade continues to be satisfactory. Harvest satisfactory.
Australia	No signs of an improvement in the general situation.
Japan	Occasional indications of a recovery of trade, but in general the economic situation continues to be unfavourable.

Imports have remained fairly stable as in the previous year. The decrease is mainly due to reduced imports of cereals (a result of the satisfactory harvest of the last two years), but also to some extent to a reduction in the imports of textile raw materials and half-finished goods.

IMPORTS

DATE	Imports (not including gold or silver)					Excess or surplus	
	Total	of which			Per head of the population	Imports (-) not including deliveries in kind on reparation account	Exports (+) including deliveries in kind on reparation account
		Foodstuffs	Raw materials	Finished goods			
	in millions of RM				in RM	in millions of RM	
1913	897	234	523	116	13.3	- 56	-
1924*	723	212	363	141	11.6	- 171	- 139
1925*	984	319	496	159	15.8	- 240	- 197
1926*	808	289	400	110	12.9	+ 19	+ 71
1927*	1,150	350	581	205	18.2	- 285	- 237
1928*	1,137	339	586	199	17.8	- 155	- 100
1929**	1,133	319	607	192	17.7	- 68	- 1
1929 January.	1,319	404	688	215	20.6	- 283	- 214
February	1,017	280	546	182	15.9	- 96	- 44
March...	1,022	263	563	188	16.0	- 91	- 39
April ..	1,255	351	692	200	19.6	- 91	- 24
May	1,132	311	613	196	17.7	- 33	+ 44
June ...	1,078	279	585	202	16.9	- 62	+ 1
July ...	1,230	407	613	197	19.2	- 199	- 130
August..	1,074	305	576	180	16.8	+ 50	+ 117
September	1,038	295	547	180	16.2	+ 98	+ 166
October.	1,107	299	601	190	17.3	+ 58	+ 147
November	1,161	316	652	177	18.1	- 67	- 7

* Amended according to data furnished by the Statistical Office of the Reich.

** 11 months.

Imports are dependent to a much greater extent than exports on chance factors, on the results of the harvest and the consequent movement of prices, and on the prospects of the business cycle inside the country and the resulting effects on prices and the rates for money. In the coming months a continued decline of imports is more likely than an increase. It is therefore not impossible that exports will again exceed imports in the next half year.

The movement of the import figures also suggests that the stocks, especially of raw materials, in Germany have been diminished. Stocks of commodities are the reserve on which the national economy draws in order to off-set shortages in the supply of capital. No doubt there are many cases where stocks can and will be diminished still further in the course of the next few months. But it is clear that, if the inadequacy of the supply of capital continues, the help to be drawn from this reserve will become less and less, and that capital improvements will have to be cut down on a similar scale. In the latter case the burden of the capital shortage will fall more heavily on industry than was the case in the past year, unless the latter is able to find in exports the full equivalent for the missing capital. Given the present tendencies on the international market, a further increase of activity and of the volume of production without concomitant increase of the cost of production will be essential.

FOREIGN TRADE

(in millions of RM)

A = Exports including deliveries in kind on reparation account

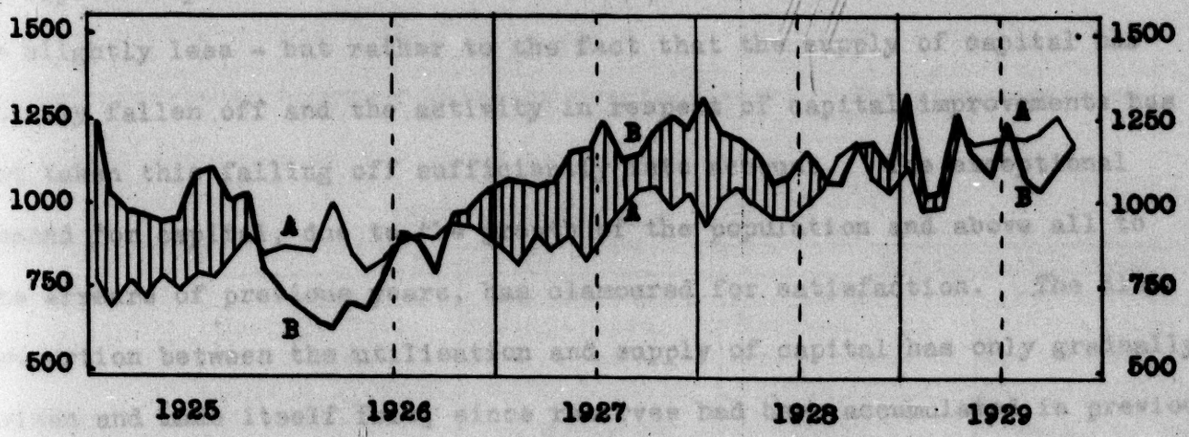
B = Imports

COMMERCE EXTÉRIEUR

(en millions de reichsmarks)

A = Exportations y compris les livraisons au titre des réparations

B = Importations



THE CAPITAL MARKET

"The utilisation and supply of capital must be brought into keeping one with the other in volume and nature. Then and only then will it be possible to avoid tension of a critical character." With these warning words our report on Germany's economic development in the first half of 1927 closed its review. In the course of the last year and a half there has developed a gradually widening gulf between the utilisation and supply of capital both "in volume and in nature", with gradually increasing concomitant tension. The disproportion is due, not to increase in the amount of capital improvements - on the contrary the volume of capital improvements is slightly less - but rather to the fact that the supply of capital has notably fallen off and the activity in respect of capital improvements has not taken this falling off sufficiently into account. The exceptional demand for capital, due to the growth of the population and above all to the arrears of previous years, has clamoured for satisfaction. The disproportion between the utilisation and supply of capital has only gradually arisen and made itself felt, since reserves had been accumulated in previous years and there was free access to the capital resources of the world. Recourse has been had to these resources accordingly: but the possibility of drawing on them induced an over-optimistic estimate of their availability and extent. The length of time for which it would be necessary to continue drawing on them was under-estimated, and the amount of them was over-estimated, with the result that in the second half of the year the gulf could hardly be bridged, and it was necessary to meet the situation by hurriedly cutting down capital improvements.

The bases of capital supply are the internal formation of capital, imports of capital and the making available of the same.

The formation of capital in a modern state based mainly on industry is in normal times not attended by any fluctuations to speak of. The fluctuations do not begin until the production of the country changes in some marked degree without any corresponding diminution in the cost of production; and generally there is no such diminution. In such a case the formation of capital is naturally exposed to bigger fluctuations than would be occasioned by the changes in production themselves, for the reason that they are dependent on the surplus of production over costs.

The monthly increase in the figures of the savings banks, in the premium receipts of the insurance companies and in the capital investments of the social insurance system, which are symptomatic within limits of the saving activities of the country, that is to say of its formation of capital, shows no marked changes as compared with the previous year. The expenditure on unemployment insurance on the other hand has risen.

GROWTH OF SAVINGS

	Deposits				Monthly increase			
	Total		Per capita		Total		Per capita	
	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts	Savings accounts	Giro accounts
	in millions of M. or RM respectively		in M. or RM respectively		in millions of M. or RM respectively		in M. or RM respectively	
Position at the end of year	(1913* ..	19,689		291.4		84.2		1.3	
	(1925** .	1,693.8	808.9	27.1	13.0	90.5	12.8	1.4	0.2
	(1926 ..	3,184.9	1,090.7	50.7	17.4	124.3	23.5	2.0	0.4
	(1927 ..	4,697.8	1,150.5	74.3	18.2	126.1	5.0	2.0	0.1
	(1928 ..	6,988.2	1,374.0	109.7	21.6	190.9	18.6	3.0	0.3
1929	January ..	7,416.3	1,436.0	115.8	22.4	428.1	. 62.0	6.1	0.8
	February .	7,655.3	1,523.1	119.6	23.8	239.0	87.1	3.8	1.4
	March	7,827.9	1,488.6	122.3	23.2	172.6	- 34.5	2.7	- 0.6
	April	7,958.5	1,450.5	124.4	22.7	130.6	- 37.9	2.1	- 0.5
	May	7,998.9	1,418.1	125.0	22.0	40.4	- 32.6	0.6	- 0.7
	June	8,190.1	1,384.4	128.0	21.6	191.2	- 33.7	3.0	- 0.4
	July	8,316.0	1,404.2	130.0	22.0	125.9	+ 19.8	2.0	0.4
	August ...	8,466.2	1,378.2	132.3	21.5	150.2	- 26.0	2.3	- 0.5
	September	8,595.7	1,353.7	134.3	21.1	129.5	- 24.5	2.0	- 0.4
	October ..	8,722.6	1,355.2	136.3	21.2	126.9	1.5	2.0	0.1
	November***	8,828.0	1,365.0	138.0	21.3	105.4	10.0	1.7	0.1

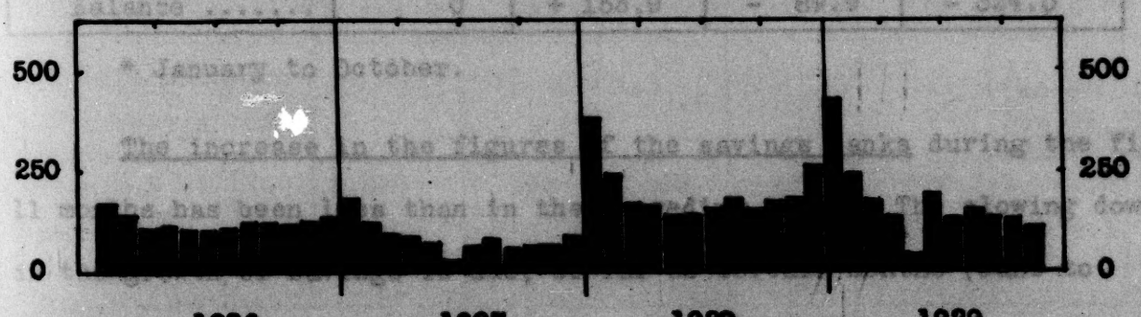
* Former territory of the Reich. ** Present territory of the Reich not including the Saar.
*** Provisional figures.

MONTHLY INCREASE IN SAVINGS DEPOSITS

(in millions of RM)

AUGMENTATION MENSUELLE DES DÉPÔTS D'ÉPARGNE

(en millions de reichsmarks)



UNEMPLOYMENT RELIEF AND UNEMPLOYMENT

INSURANCE NOT INCLUDING EMERGENCY BENEFIT

(in millions of RM)

	1926	1927	1928	1929*
Total receipts ...	1,221.1	909.3	851.8	724.4
Total payments ...	1,221.1	755.4	941.7	1,048.4
Balance	0	+ 153.9	- 89.9	- 324.0

* January to October.

The increase in the figures of the savings banks during the first 11 months has been less than in the preceding year. The slowing down in the growth of savings is due, so far as certain months (June to September) are concerned, to the circumstance that the figures of the preceding year were shown too high, and is to that extent illusory. It is also due in part to change in the attitude of the saving population which, if it did not affect the formation of capital itself, at least put difficulties in the way of the capital supply for the time being. This was the case in April and May when money which would otherwise have gone to the savings banks was diverted to foreign investments as a consequence of the reparation negotiations. Similarly in the autumn months there appears to have been a diversion of savings, whether to foreign investments, or into the coffers of the regular banks, or into the form of hard cash.

The surpluses of premiums of the German life insurance companies show no decrease nor does the number of new insurances concluded, although the collapse of one of the bigger companies has intensified the competition with foreign countries.

GROWTH OF FUNDS OF PUBLIC AND PRIVATE INSURANCE COMPANIES

	1913 in millions of M	1924	1925	1926	1927	1928	1929
		in millions of RM					
I. Social insurance:							
Total receipts	1,553.7	2,122.7	2,842.6	3,375.5	3,925.9	4,063.1	
Total payments	1,088.8	1,664.8	2,444.6	2,848.7	3,302.0	3,244.0	
Increase	464.9	457.9	398.0	526.8	623.9	819.1	
II. Private life insurance:							
Capital invested out of insurance premiums	5,553	128	225	432	696.7	(as at Dec.31, 1928) 1,021.0	(as at Oct.31, 1929) 1,345.2
Increase			97	207	264.7	324.3	324.2 for 10 months

One important reason for the deterioration in the capital supply during the current year is to be found in the <u>falling off of capital imports</u>, the effects of which were worsened by a simultaneous <u>emigration of capital</u> on no inconsiderable scale. According to the estimates of the German balance of payments the excess of capital imports over exports (including the movements of the gold and foreign exchange holdings of the Reichsbank) fell from RM 4.6 milliards in 1927 to RM 3.5 and RM 2.5 milliards in 1928 and 1929 respectively.

GERMAN BALANCE OF PAYMENTS

ASSETS	1927	1928	1929	LIABILITIES	1927	1928	1929
	in milliards of RM approx.				in milliards of RM approx.		
I. Recurrent items				I. Recurrent items			
Exports (not including gold and silver)	10.51	11.80	12.80	Imports (not including gold and silver)	14.00	13.60	13.60
Reparation payments:				Reparation payments (as from September on the basis of the Young Plan)...	1.58	2.00	2.37
a) deliveries in kind	0.57	0.70	0.90				
b) in Germany	0.08	0.07	0.07				
Surplus from services rendered	0.30	0.29	0.36	Balance of interest	0.45	0.70	0.86
				Adverse balance of emigrants' and immigrants' capital transactions..	0.07	0.07	0.07
II. Non-recurrent items							
Gold surrendered by the Reichsbank	.	.	0.47	II. Non-recurrent items			
Falling off in the foreign exchange holdings of the Reichsbank	0.49	0.07	.	Increase in the visible foreign exchange holdings of the Reichsbank.	.	.	0.25
Influx of funds released by America	.	0.04	0.27	Influx of gold into the Reichsbank	0.09	0.86	.
Imports of capital:							
a) loans	1.61	1.35	0.35				
b) short-term credits to the Reich	.	.	0.21				
c) other short-term credits ..	1.90	1.58	)				
d) other imports of capital (balance)	0.73	1.33	) 1.72				
	16.19	17.23	17.15		16.19	17.23	17.15

Not only has there been a reduction in the balance of imports over exports of capital but an at least equally serious change in the nature of the imported capital itself, which has largely precluded long-term investment, so that the aggregate capital supply has not benefited to the same extent as in former years.

During the current year capital imports consisted for the most part of short-term credits. From the following table it will be seen that the decline in the volume of public loans is very much greater than the falling off in the total balance of imports of capital.

FOREIGN LOANS

	1924	1925	1926	1927	1928	1929
	in millions of RM according to nominal amount*					
1st quarter ..		231	393	91	361.6	236.9
2nd " ...		1	521**	180	742.1	91.4
3rd " ...		433	407	676	126.0	6.4
4th " ...	864	656	449	712	343.5	42.6
Total	864	1,321	1,770	1,659	1,573.2	377.3

* In the case of the Dawes Loan, the amount actually received by the borrower is taken.

** Including RM 50 millions of preference shares of the German Railway Company.

FOREIGN LOANS

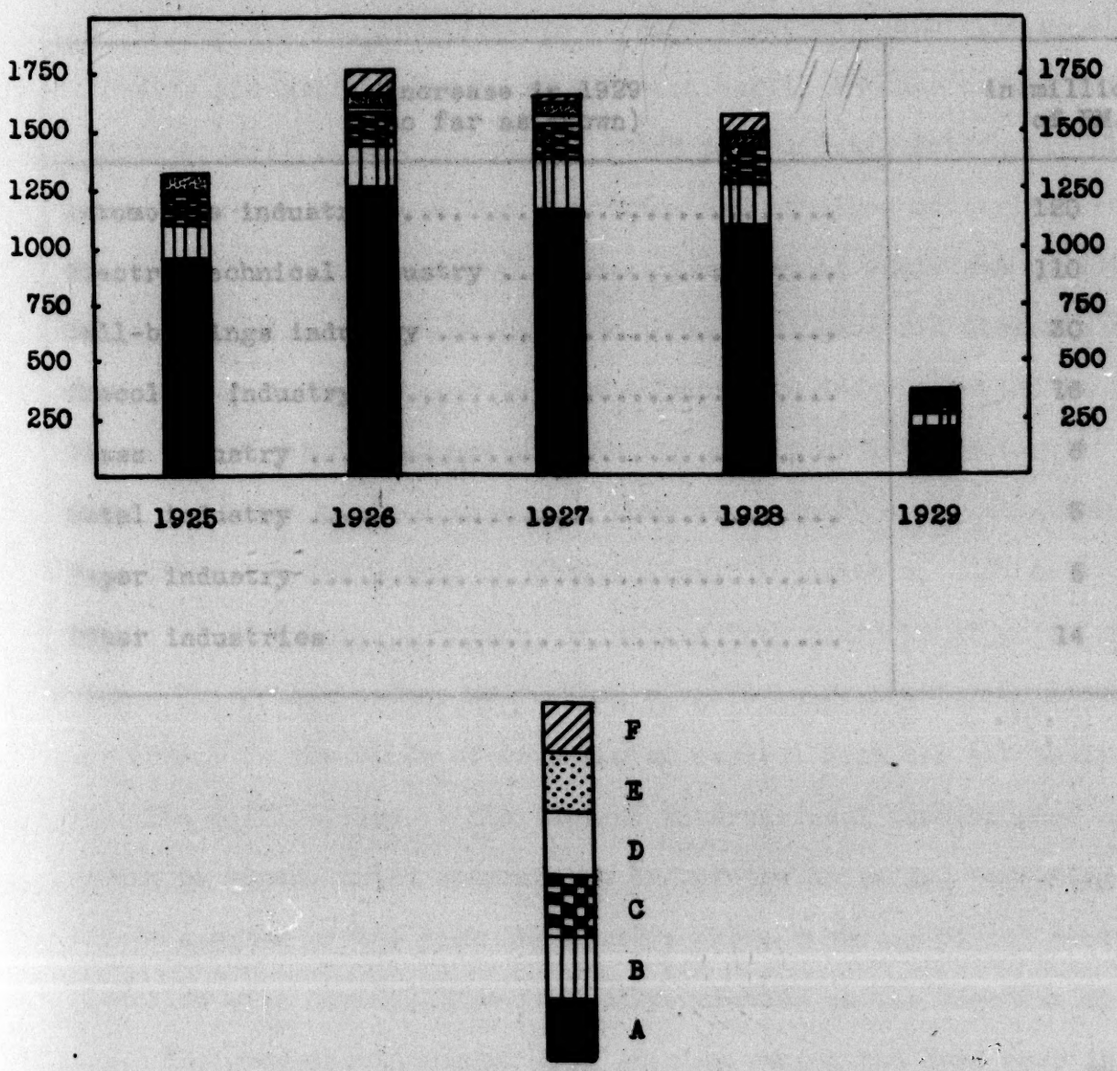
(in millions of RM)

A = U.S.A. B = Netherlands C = Great Britain D = Sweden
E = Switzerland F = Other foreign countries

EMPRUNTS EXTÉRIEURS

(en millions de reichsmarks)

A = États-Unis d'Amérique B = Pays-Bas C = Angleterre
D = Suède E = Suisse F = Autres pays étrangers



Long-term capital investment by foreign countries in the form of share purchases has also been very much less than in the two past years: and the permanent acquisitions by foreign countries of holdings in German concerns would also seem not to have been on such a scale as to offset the decline in the purchases of shares on the open market. The following table gives the holdings of a permanent nature acquired during the current year, in so far as they were made public. The total amount of such holdings is probably larger.

PERMANENT FOREIGN HOLDINGS IN GERMAN INDUSTRY.

Increase in 1929 (so far as known)	in millions of RM.
Automobile industry	120
Electro-technical industry	110
Ball-bearings industry	30
Chocolate industry	16
Glass industry	6
Metal industry	5
Paper industry	5
Other industries	14

The reasons for the decline in capital imports are to be sought both at home and abroad. Beginning in 1928 and continuing on an increased scale in the past year, there was a growth in the spirit of enterprise and the capital activities of a number of countries which are of special importance in connection with the international movement of capital, with the result that these countries themselves developed increased capital requirements. As however in almost all countries by far the greater part of the annual formation of capital is wanted for internal purposes and it is only the balances, after these purposes have been satisfied, which pass from one country to another or from one form of investment to another, increase of the capital requirements of such important countries as the United States necessarily led to an extraordinarily intense demand for the comparatively small amount of capital which is available internationally. The capital markets of the debtor countries and of other countries (some of them big countries) whose capital is available beyond their own borders began to suffer from such a shortage as threatened economic disturbances on a large scale. They began to take measures in defence, which in their turn intensified the demand for the limited supply of internationally available capital. Certain countries took steps which were calculated to make the international supply of credit almost impossible, such as the imposition of an embargo on loans, or on the free movement of gold, and the like. The French policy of locking up gold in France had a particularly adverse effect in the sense of withdrawing capital from the international market. The difficulties in the various international centres grew worse from month to month, until towards the end of the third and beginning of the fourth quarter of the year there was a sharp reversal of the position in connection with the collapse of the speculation on the American share market. The exceptional demand from America, which had done more than

anything to increase the tension on the international market, thereupon came to an end for the time being, and rendered unnecessary some of the defensive measures of other countries. The gold policy of France, which does much to restrict the international supply of credit, was nevertheless maintained unchanged.

The adverse effect on the German capital supply of the difficult conditions on the international market was intensified by an emigration of German capital due rather to political than to economic considerations. This flight of capital increased with the development of political tension in the spring and autumn. The resulting economic difficulties were serious enough: but the volume of such exported capital should not be over-estimated: the amounts of capital available for export in Germany are not large. Nor is this capital lost to the German economy: it will return one day whether in the form of capital or interest, and to that extent differs fundamentally from the reparation payments which are a dead loss to the country. For the moment however it has an equally hampering effect.

The diminution of capital imports was accompanied by gradually increasing difficulties in the internal credit system of Germany, which still further diminished the capital supply to an extent beyond what the decline in capital imports alone would have entailed. The division of labour under modern conditions is based on the inter-locking of credit facilities in a myriad different forms. Any disturbance of the structure endangers the entire economic development. All credit relations rest on confidence and on belief in the economic and political evolution of peoples as a whole and of their leaders in particular. This confidence and this belief were subjected to a powerful strain during the past year in Germany and, the longer it lasted, the greater was the strain.

The following table showing the figures of capital issues reveals the deterioration of the credit supply. The fluctuations within particular years are symptomatic, not of the accumulation of capital but of willingness to make it available for long-term investment. They reflect the spirit of enterprise and general confidence.

CAPITAL ISSUES

DATE	Influx of capital into the Savings Banks		Capital issues on the internal capital market						
			Total capital issues	German issues					Foreign issues
				Issues of public bodies		Issues of private enterprises			
	Savings Deposits	Giro		Loans	Increase in the circulation of communal bonds	Increase in the circulation of mortgage bonds	Loans	Shares*	
	In millions of marks or reichsmarks								
1907-1913 ..	957		3,687	1,171	911		400	732	473
1913/1914 ..	1,010		3,674	1,251	741		331	600	751
1925	1,241		1,714	50	40	840	113	661	10
1926	1,461	245	4,580	1,182	466	1,628	339	898	67
1927	1,577	31	4,511	886	346	1,649	161	1,368	101
1928	2,322	225	4,460	862	514	1,489	270	1,321	4
1927									
1st quarter	628	93	2,097	802	203	534	150	378	30
2nd "	304	- 54	1,119	66	68	476	10	432	67
3rd "	318	- 7	605	4	36	312	-	249	4
4th "	327	- 1	690	14	39	327	1	309	-
1928									
1st quarter	782	133	1,528	361	155	561	250	201	-
2nd "	441	47	1,292	368	186	327	-	411	-
3rd "	482	6	744	42	78	295	4	324	1
4th "	617	39	896	91	95	306	16	385	3
1929									
1st quarter	837	111	1,060	226	129	328	-	357	30
2nd "	364	- 96	815	205	46	224	3	337	-
3rd "	405	- 30	474	118	31	160	-	165	-

* According to the price of issue.

The power of absorption of the market was probably less than the above figures suggest, since a larger percentage of the issues remained on the hands of the issuing concerns than in previous years.

The increased difficulty in obtaining credit resulted in a set-back to the division of labour and an attendant readjustment of values, as all modern values are based on collaboration. The effects of this process are readily apparent in the movement of quotations on the Stock Exchange.

THE MOVEMENT OF STOCK EXCHANGE QUOTATIONS

DATE	Share index of Reichs-Kredit-Gesellschaft 1925 = 100	Average prices				
		10%	8%	7%	6%	5%
		Gold Bonds based on figures published in Berliner Tageblatt				
1928 January ..	146.8	104.6	97.5	92.0	89.6	82.6
December .	147.3	103.1	94.6	86.8	84.2	79.7
1929 January ..	143.2	103.4	94.9	87.1	84.1	80.2
February..	137.5	103.4	94.7	86.8	83.3	80.3
March	137.7	103.0	94.4	86.3	83.1	80.0
April	137.0	102.5	94.1	85.6	82.7	79.9
May	134.5	101.6	92.4	83.9	81.8	79.2
June	140.7	101.6	92.3	84.0	81.3	78.7
July	135.9	101.9	92.4	84.0	81.2	78.7
August ...	132.8	101.1	92.1	83.5	81.1	78.9
September.	129.5	100.7	91.5	82.9	80.9	78.8
October ..	120.8	100.8	91.0	82.6	80.2	78.1
November .	114.4	100.9	90.9	82.4	79.8	77.5
December*.	109.1	101.1	90.7	82.2	79.4	77.6

* Provisional figures.

The readjustments of Stock Exchange values are often extreme. As Stock Exchange values represent the capitalisation of the yield expected by the holders, they are not only affected by stagnation in the turnover, but also by changes in the general rate of capitalisation and - in the case of shares - by changes in the anticipations of yield. For all these reasons the changes have no character of permanence.

THE MOVEMENT OF STOCK EXCHANGE QUOTATIONS

A = Share index of the Reichs-Kredit-Gesellschaft (January 2, 1925 = 100)

B = 10% C = 8% D = 7% E = 6% F = 5% gold mortgage bonds

(Based on figures published in the Berliner Tageblatt)

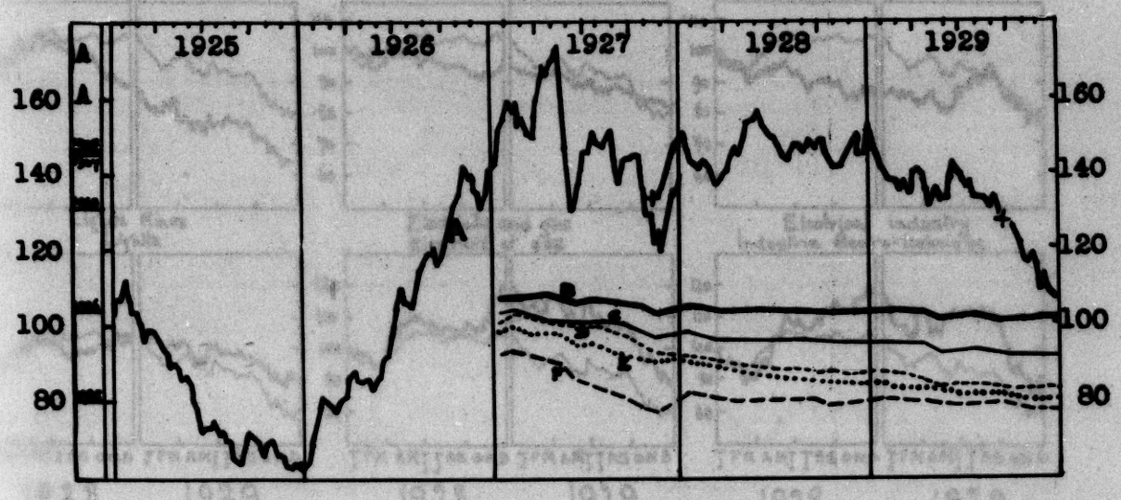
MOUVEMENT DES COURS

A = Indice des actions établi par la Reichs-Kredit-Gesellschaft (2 janvier 1925 = 100)

B = Obligations-or 10% C = Obligations-or 8% D = Obligations-or 7%

E = Obligations-or 6% F = Obligations-or 5%

(d'après le Berliner Tageblatt)



SHARE INDICES OF VARIOUS GROUPS OF INDUSTRIES (1928-1929)

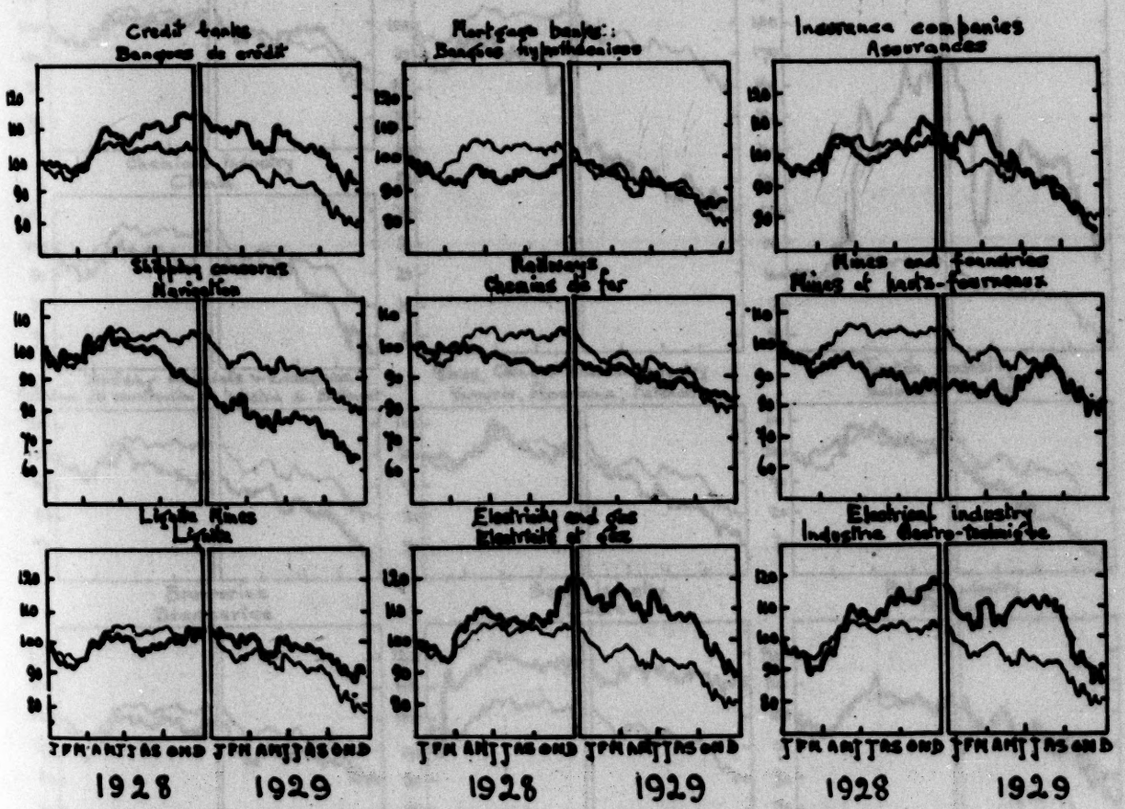
(January 4, 1928 = 100)

as compared with the general index (lighter line)

INDICES DES ACTIONS DE DIFFÉRENTS GROUPES D'INDUSTRIE (1928-1929)

(4 janvier 1928 = 100)

en comparaison avec l'indice global (ligne mince)



SHARE INDICES OF VARIOUS GROUPS OF INDUSTRIES (1928-1929)

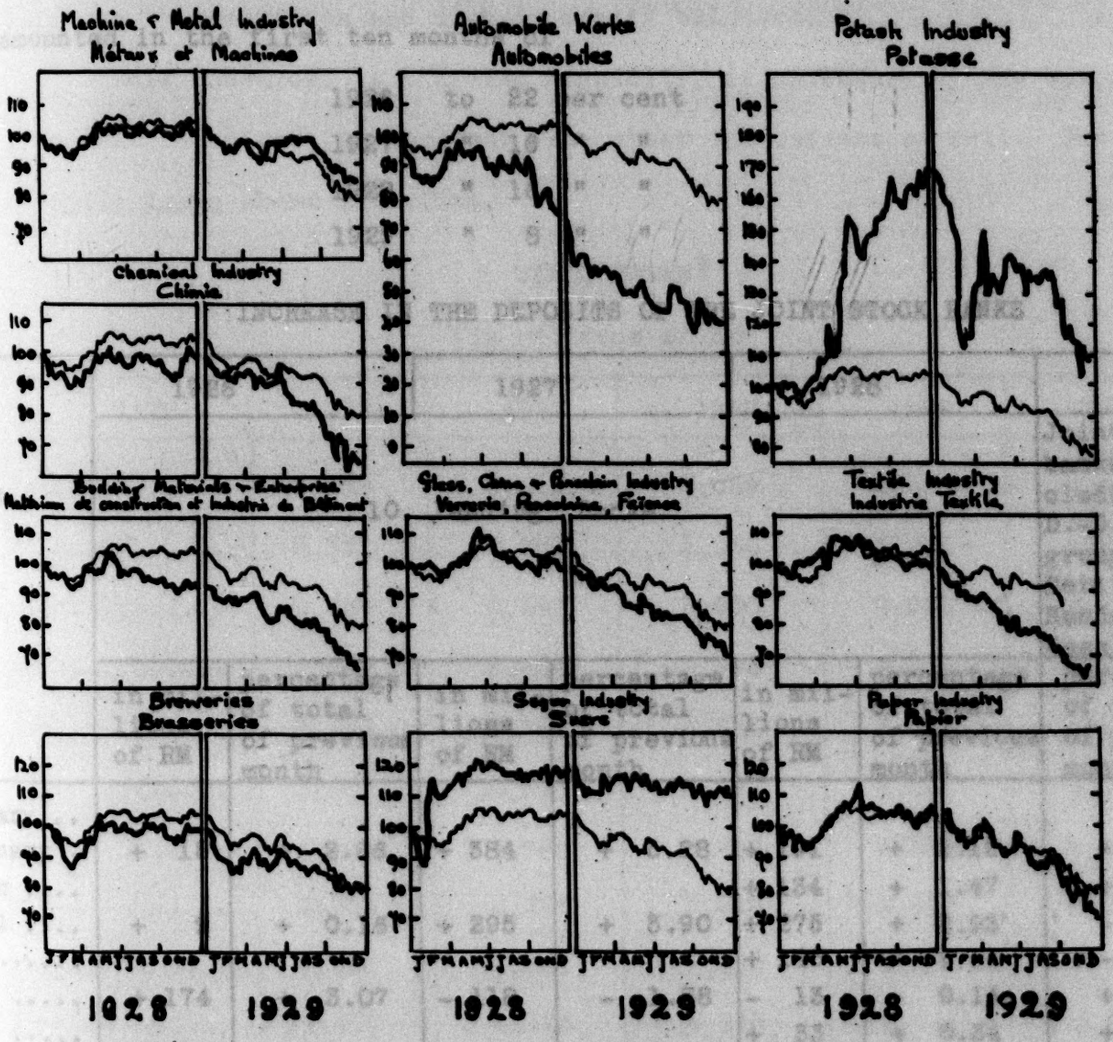
(January 4, 1928 = 100)

as compared with the general index (lighter line)

INDICES DES ACTIONS DE DIFFERENTS GROUPES D'INDUSTRIE (1928-1929)

(4 janvier 1928 = 100)

en comparaison avec l'indice global (ligne mince)



The difficulties in the internal credit supply are further reflected by the following statistics of the deposits of the joint stock banks. If it is taken into account that the share of the joint stock banks in the aggregate deposits of the country has risen, and that the deposits of foreign countries have increased, it is natural to conclude that internal deposits are at a standstill. The increase in the deposits of the joint stock banks amounted in the first ten months of

1926 to 22 per cent
1927 " 16 " "
1928 " 16 " "
1929 " 8 " "

INCREASE IN THE DEPOSITS OF THE JOINT STOCK BANKS

DATE	1926		1927		1928		1929
	10 leading Banks						Joint stock banks not including the D.-D.- bank group and the Berliner Handels-Gesellschaft
	in millions of RM	percentage of total of previous month	in millions of RM	percentage of total of previous month	in millions of RM	percentage of total of previous month	percentage of total of previous month
January ..							
February .	+ 15	+ 2.86	+ 384	+ 5.28	+ 191	+ 2.12	+ 4.49
March					+ 134	+ 1.47	+ 1.34
April	+ 9	+ 0.16	+ 295	+ 3.90	+ 275	+ 2.93	- 2.98
May					+ 145	+ 1.52	- 1.41
June	+ 174	+ 3.07	- 118	- 1.58	- 13	- 0.14	+ 1.08
July					+ 33	+ 0.34	+ 1.17
August ...	+ 261	+ 4.40	+ 239	+ 3.11	+ 45	+ 0.47	+ 1.31
September					+ 308	+ 3.11	+ 1.75
October ..	+ 452	+ 7.08	+ 326	+ 4.07	+ 329	+ 3.21	+ 0.83
November .					+ 286	+ 2.72	+ 0.14
December .	+ 503	+ 7.30	+ 784	+ 8.91	+ 210	+ 1.95	

There is a decline in the giro clearing deposits with the savings banks, derived from purely internatal sources, as shown by the table on page 67.

The reserve displayed was especially marked in the spring, when the course of the reparation negotiations gave rise to anxiety. There was some improvement in the course of the summer; but this was followed by a further set-back in the autumn as a result of new political difficulties. The tendency throughout the second half of the year was to prefer credit balances to securities and cash to credit balances.

This endeavour to increase liquidity, if necessary by the suspension of credit relations, is apparent from other indications as well. The numbers of bills drawn shows a decline.

BILLS DRAWN*

(in millions of RM)

DATE	1925	1926	1927	1928	1929
January	3,359	3,012	3,029	4,506	4,552
February	3,321	2,988	3,166	3,964	4,019
March	3,769	3,153	3,830	4,663	4,449
April	3,467	2,859	3,374	4,126	4,656
May	3,746	2,751	3,654	4,246	4,392
June	3,887	2,900	3,692	4,412	4,183
July	4,041	2,786	3,728	4,335	4,607
August	3,707	2,727	3,910	4,457	4,073
September	4,402	2,761	4,029	4,276	3,807
October	4,617	3,196	4,219	4,742	4,012
November	3,479	3,118	4,197	4,443	3,763
December	3,256	3,273	4,296	4,487	
Monthly average	3,754	2,960	3,760	4,388	4,228**

* Calculated on the basis of the returns of the Tax on Bills of Exchange.

**Average of 11 months.

The proportion of readily realisable credits to the total of credits granted by the banks rose, though fluctuations (other than from seasonal causes) are not frequent. The compilation of the statistics was more difficult this year owing to the amalgamations and their effects on the balance sheets.

The liquidity of the Reichsbank increased very satisfactorily in the second half of the year. The holdings of gold and foreign exchange available for cover at the close of the year was only a little less than at the end of the previous year, and was nearly equal to the maximum figure hitherto attained.

POSITION OF THE REICHSBANK
(In millions of RM)

DATE	Gold and foreign exchange available as cover	Bills	Loans against collateral	Circulation of		Contingent liabilities	Discount rate %
				Reichsbank notes	Rentenbank notes		
December 31, 1924	1,013	2,064	17	1,941	1,835	821	10.0
June 30, 1925 ...	1,416	1,691	46	2,474	1,672	564	9.0
December 31, 1925	1,611	1,915	10	2,960	1,476	697	9.0
June 30, 1926 ...	1,817	1,288	143	2,971	1,388	527	6.5
December 31, 1926	2,351	1,829	84	3,735	1,164	648	6.0
June 30, 1927 ...	1,870	2,495	147	3,815	1,017	669	6.0
December 31, 1927	2,147	3,129	78	4,564	716	779	7.0
June 30, 1928 ...	2,334	2,477	138	4,674	578	528	7
December 23, 1928	2,887	1,934	38	4,482	514	496	7
December 31, 1928	2,884	2,627	176	4,930	530	816	7
June 30, 1929 ...	2,272	2,843	194	4,839	460	631	7.5
July 31, 1929 ...	2,482	2,621	109	4,726	434	516	7.5
August 31, 1929..	2,491	2,635	162	4,897	432	434	7.5
September 30,1929	2,547	2,528	186	4,914	433	501	7.5
October 31, 1929.	2,588	2,450	107	4,833	407	454	7
November 30, 1929	2,637	2,368	165	4,916	394	445	7
December 15, 1929	2,638	2,091	109	4,589	377	402	7
December 23, 1929	2,671	2,156	98	4,579	382	448	7

Recourse to the Reichsbank in the form of rediscounts was progressively less from May onwards. The diminished resort to this form of accommodation is especially remarkable when it is borne in mind that the "Bills and cheques" again include a not inconsiderable proportion of foreign paper.

The growing ability of the Reichsbank to give rediscount accommodation continues at the close of the year. The gold and foreign exchange holdings again increased during the last few weeks of the year. The exchange of the mark has long been favourable in comparison with the exchanges of a number of important countries, so that there is every prospect of a further increase in the resources of the Reichsbank. The policy adopted in the spring of deprecating rediscounts has been continued to the turn of the year. The Reichsbank is now in a position to accommodate German business by rediscounting bills to a very considerable extent as and when it may prove necessary.

FOREIGN EXCHANGE RATES AND CURRENCY COVER

DATE	Deviation of foreign exchange rates in Berlin from parity in percentages of parity	Changes in the currency cover reported (in million of RM)
January 1929	+ 00.0	- 3
February 1929	+ 0.11	- 62
March 1929	+ 0.16	- 100
April 1929	+ 0.28	- 728
1st week of May 1929	+ 0.30	- 171
2nd " " " 1929	+ 0.18	+ 1
3rd " " " 1929	- 0.07	+ 90
4th " " " 1929	- 0.23	+ 153
June 1929	- 0.27	+ 208
July 1929	- 0.16	+ 210
August 1929	- 0.19	+ 9
September 1929	- 0.16	+ 56
October 1929	- 0.12	+ 41
November 1929	- 0.16	+ 49
3rd week of December 1929	- 0.26	+ 33

MOVEMENT OF THE FOREIGN EXCHANGE RATES AND CURRENCY COVER

(in millions of RM)

A = Deviations of foreign exchange rates in Berlin from parity in percentages of parity

B = Reichsbank discount rate

C = Increase and decrease of the gold and foreign exchange cover

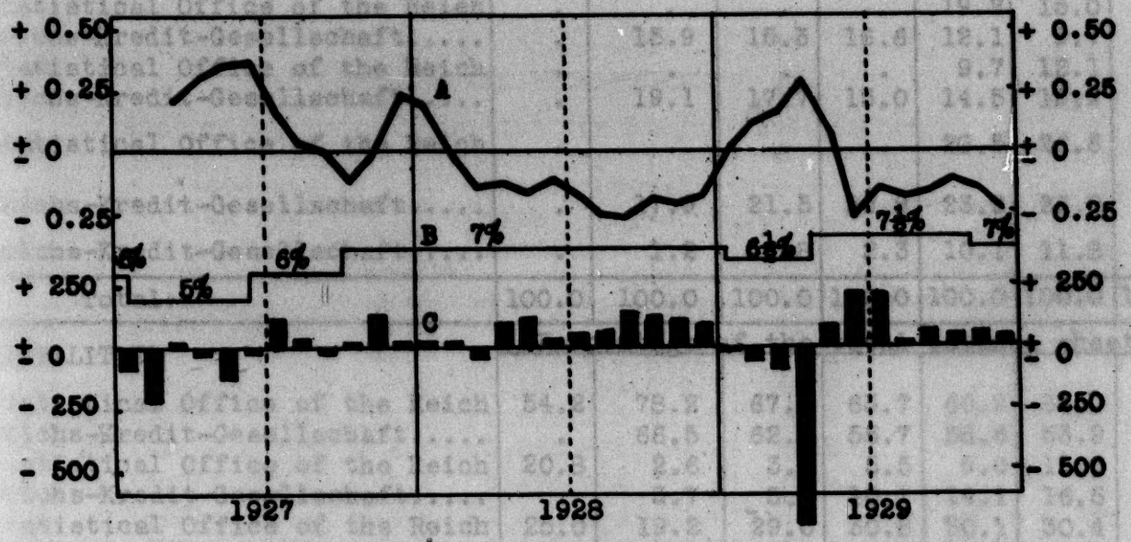
FLUCTUATIONS DU COURS DES CHANGES ET COUVERTURE DE LA MONNAIE

(en millions de reichsmarks)

A = Différence entre les cours des devises étrangères à Berlin et le pair (en % du pair)

B = Taux de l'escompte de la Reichsbank

C = Augmentation et diminution de la couverture en or et en devises



No material is as yet available as to the liquidity of the assets of industrial undertakings in the past year; and it will be necessary to wait for the balance sheets appearing during the first half of 1930 to obtain a conspectus of the position. The following table serves only therefore to give some idea of the position in this respect down to the close of 1928, and in the case of a small number of companies down to the middle of 1929. The general liquidity has increased during that period in spite of the vigorous investment in capital improvements during the last few years.

INDUSTRIAL BALANCE SHEETS*

	1912/13.	Gold mark opening balance sheet	1924 or 1924/25	1925 or 1925/26	1926 or 1926/27	1927 or 1927/28	1929 or 1928/29**
ASSETS	Percentage of the total balance sheet						
t (Statistical Office of the Reich	.	.	.	.	42.6	46.3	46.1
(Reichs-Kredit-Gesellschaft	.	45.9	43.7	40.3	39.4	41.5	.
ks)Statistical Office of the Reich	.	.	.	.	19.2	15.0	14.9
)Reichs-Kredit-Gesellschaft.....	.	15.9	15.3	16.6	12.1	9.7	.
s (Statistical Office of the Reich	.	.	.	.	9.7	12.1	10.6
(Reichs-Kredit-Gesellschaft.....	.	19.1	17.7	15.0	14.5	13.2	.
ors and) Statistical Office of the Reich	.	.	.	.	28.5	26.6	28.4
id funds)							
ors Reichs-Kredit-Gesellschaft.....	.	17.9	21.5	25.8	23.9	23.8	.
id funds Reichs-Kredit-Gesellschaft.....	.	1.2	1.8	2.3	10.1	11.8	.
Total:	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LIABILITIES	Percentage of the total balance sheet						
tal of (Statistical Office of the Reich	54.2	78.2	67.9	63.7	60.9	57.0	58.1
ern (Reichs-Kredit-Gesellschaft.....	.	66.5	62.6	55.7	58.6	53.9	.
-term)Statistical Office of the Reich	20.8	2.6	3.1	5.5	9.0	12.6	13.6
its)Reichs-Kredit-Gesellschaft.....	.	3.7	5.4	10.1	14.1	16.5	.
t-term (Statistical Office of the Reich	25.0	19.2	29.0	30.8	30.1	30.4	28.3
its (Reichs-Kredit-Gesellschaft.....	.	29.8	32.0	34.2	27.3	29.6	.
Total:	100.0	100.0	100.0	100.0	100.0	100.0	100.0

re the table is based on data supplied by the Statistical Office of the Reich, it ntains the results of the balance sheets of all joint stock companies having a are capital of RM 1 million and over or whose shares have been introduced on a rman stock exchange. Where based on our own data, the results cover all joint tock companies whose shares are dealt with on the Berlin stock exchange at term at varying rates. The totals of the balance sheets of the latter companies vered by the table amount to approximately 10 per cent of the totals of the com- nies considered by the Statistical Office of the Reich, banks insurance and rticipation companies have not been considered in either case.
til March 30.

There is some improvement in the liquidity of agricultural undertakings as a result of the growing appreciation of the necessity of maintaining assets in readily realisable form and thanks to the favourable harvests of the last two years. The following table shows a decline in the short-term indebtedness of agriculture down to the autumn quarter-day, when the demand for short-term accommodation is greatest. It should not be forgotten that the indebtedness of agriculture is offset by credit balances in the savings banks and banks as well as by investments in securities; and it is reasonable to conclude that, if these assets are deducted, the short-term debts of the farmers at the autumn quarter-day did not amount to more than one-fifth of the total value of agricultural production, or the total of their debts to more than one-half of the total annual production. The distribution of agricultural indebtedness is however very uneven, and this increases the incidence of the burden.

AGRICULTURAL INDEBTEDNESS

(According to the Institut für Konjunkturforschung)

	Credits on real estate	Credits with a medium currency	Short-term credits	Total credits	Credits on real estate	Credits with a medium currency	Short-term credits
	in millions of RM				percentage of total credits		
December 31,1925	1,011.3	25.8	2,186.1	3,223.2	31.4	0.8	67.8
June 30,1926	1,464.8	46.9	2,352.9	3,864.6	37.9	1.2	60.9
December 31,1926	2,048.5	101.8	2,127.0	4,277.3	47.9	2.4	49.7
June 30,1927	2,426.5	125.0	2,690.2	5,241.7	46.3	2.4	51.3
December 31,1927	2,814.4	304.4	2,565.8	5,684.6	49.5	5.4	45.1
March 31,1928	3,071.1	325.6	2,678.2	6,074.9	50.5	5.4	44.1
June 30,1928	3,257.6	313.2	2,857.2	6,428.0	50.7	4.9	44.4
September 30,1928	3,440.9	322.1	2,943.8	6,706.8	51.3	4.8	43.9
December 31,1928	3,623.3	318.0	2,889.8	6,831.1	53.0	4.7	42.3
March 31,1929	3,811.4	300.6	2,960.3	7,072.3	53.9	4.2	41.9
June 30,1929	3,890.8	319.6	3,143.5	7,353.9	52.9	4.3	42.8
September 30,1929	3,992.6	324.4	2,940.2	7,257.2	55.0	4.5	40.5

The liquidity of the public finances on the other hand has deteriorated, as the following table shows. The total medium and short-term debts of the large cities is RM 1¼ milliards for 17¾ million inhabitants, or some 40 per cent of the total burden of indebtedness assumed since the stabilisation of the currency. This calculation ignores the short-term credit balances which public departments also have at their disposal.

INDEBTEDNESS OF STATES AND LARGE CITIES SINCE THE STABILISATION OF THE CURRENCY

DATE	States not including the Hanseatic Cities*		Hanseatic Cities*		Other large cities	
	long-term	medium and short-term	long-term	medium and short-term	long-term	medium and short-term
	in millions of RM					
March 31, 1928 ...	666	571	144	109	1,152	592
March 31, 1929 ...	813	857	161	175	1,742	1,016
September 30, 1929	813	889	163	251	1,976	1,282
	percentages of indebtedness					
March 31, 1928 ...	54	46	57	43	66	34
March 31, 1929 ...	49	51	48	52	63	37
September 30, 1929	48	52	39	61	61	39

* Hamburg, Bremen and Lübeck.

General readjustments of values at a time of difficult credit relations, political unrest and a general reluctance to lock up capital make heavy demands on the power of resistance of the undertakings associated with one another in the credit system. An increase in the number of insolvencies at such times is unavoidable, and our last report foreshadowed the probability of such an increase. Hitherto it has remained within narrow limits, far behind the figures of the close of the year 1925/26. A further increase in the first quarter of next year is probable. We may recall what was said

in our report on Germany's economic development in the first half of the year 1929 in comparing the curve of insolvencies in that year with the corresponding curve of 1925/26. The most important feature, we said, of the economic development of the intervening period was the fact that "the improved operating of concerns, the consolidation of liabilities, better co-operation in foreign enterprise - all help to strengthen the foundation on which the edifice of Germany's many-sided interests and trade is built".

INSOLVENCIES

DATE	Number of bankruptcies	Number of temporary receiverships (Geschäftsaufsichten) or compulsory compositions (Vergleichsverfahren)	Bills protested by banks		Total of bills protested by banks per RM 1,000 of the estimated total of bills drawn in the preceding three months
			Number of bills	Total in millions of RM	
	Monthly averages				
1913	815	.	.	.	.
1925	932	492	15,120	23.6	6.36
1926	1,023	653	9,991	13.2	3.91
1927	472	109	4,607	6.0	1.71
1928	665	266	7,174	9.5	2.03
1929 January ..	832	259	8,828	12.2	2.57
February .	775	335	8,196	11.6	2.61
March	930	352	8,860	13.3	2.96
April	885	464	9,305	13.8	3.03
May	846	454	9,439	12.4	3.09
June	803	448	8,745	11.2	2.52
July	845	518	9,213	12.0	2.58
August ...	739	492	8,189	10.2	2.32
September.	657	364	7,282	9.3	2.22
October ..	840	350	8,818	12.7	2.76
November..	813	394	8,775	12.5	3.07

INSOLVENCIES

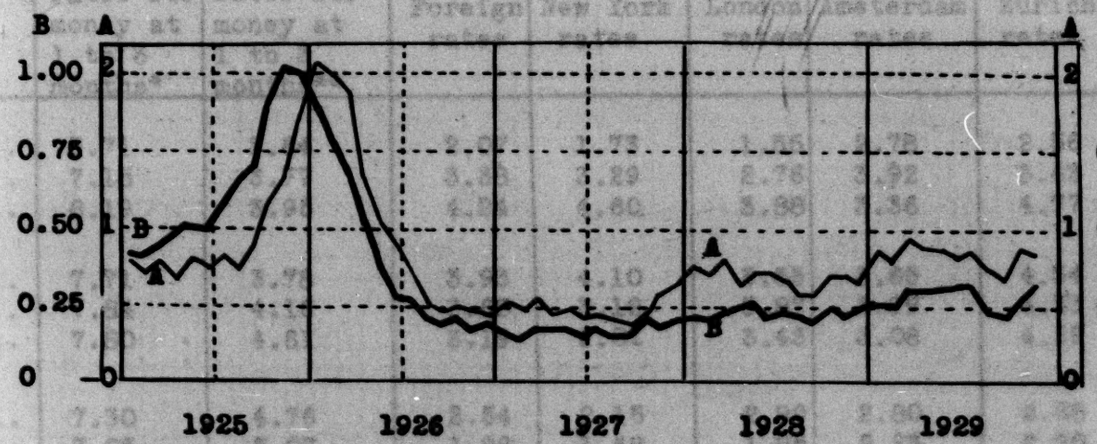
A = Number of bankruptcies in thousands

B = Total of protested bills in percentages of the total bills drawn in the preceding three months

INSOLVABILITÉS

A = Nombre de faillites en milliers

B = Total des protêts en % de la somme des effets émis trois mois auparavant



The disproportion between the supply and demand of capital has had an important influence on the interest level. The rise in the rates of interest has in its turn slowed down the flight of capital and the drying-up of the sources of supply, though it has not been able to arrest either process. The burden of the interest charges and their increase during the year will be apparent if the spread between the rates for money in Germany and those in the most important creditor countries are contrasted, as is done in the following table.

SPREAD BETWEEN GERMAN MONEY MARKET RATES AND FOREIGN RATES

DATE	Average German rates for money at 1 to 3 months*	Average foreign rates for money at 1 to 3 months**	Spread between German and					
			Foreign rates	New York rates	London rates	Amsterdam rates	Zurich rates	Paris rates ***
1927								
January ...	5.71	3.64	2.07	1.73	1.55	2.78	2.56	0.72
July	7.15	3.77	3.38	3.29	2.76	3.92	3.63	5.02
December ..	8.19	3.95	4.24	4.60	3.88	3.36	4.77	5.24
1928								
January ...	7.71	3.78	3.93	4.10	3.53	3.65	4.34	4.90
July	7.84	4.16	3.68	3.12	3.87	3.99	4.33	4.72
December ..	7.80	4.61	3.19	2.81	3.43	3.08	4.29	4.39
1929								
January ...	7.30	4.76	2.54	2.15	2.99	2.80	2.58	3.94
February ..	7.05	5.07	1.98	1.68	1.95	2.23	2.20	3.68
March	7.33	5.29	2.04	1.72	2.01	2.20	2.44	3.96
April	7.62	5.49	2.13	1.94	2.36	1.71	2.82	4.23
May	9.03	5.50	3.53	3.31	3.83	3.38	4.15	5.61
June	9.50	5.35	4.15	3.72	4.20	4.20	4.88	6.09
July	9.45	5.25	4.20	3.85	4.05	4.56	4.82	6.00
August	9.39	5.24	4.15	3.74	3.90	4.69	4.54	5.95
September .	9.30	5.45	3.85	3.65	3.72	3.92	4.28	5.83
October ...	9.14	5.38	3.76	3.54	3.02	4.61	4.06	5.60
November ..	8.68	4.87	3.81	3.63	3.29	4.50	3.68	5.12

* The average is computed from the daily quotations for month-to-month money, bills on goods of all buyers and long and short-term bankers' bills.

** New York: bank acceptances 3 months and prime commercial bills.
London : bankers' bills.
Amsterdam: carry-over money.
Zurich : month-to-month money.

*** Paris is not included in the average of the foreign rates for money at 1 - 3 months.

SPREAD BETWEEN GERMAN MONEY MARKET RATES AND FOREIGN RATES

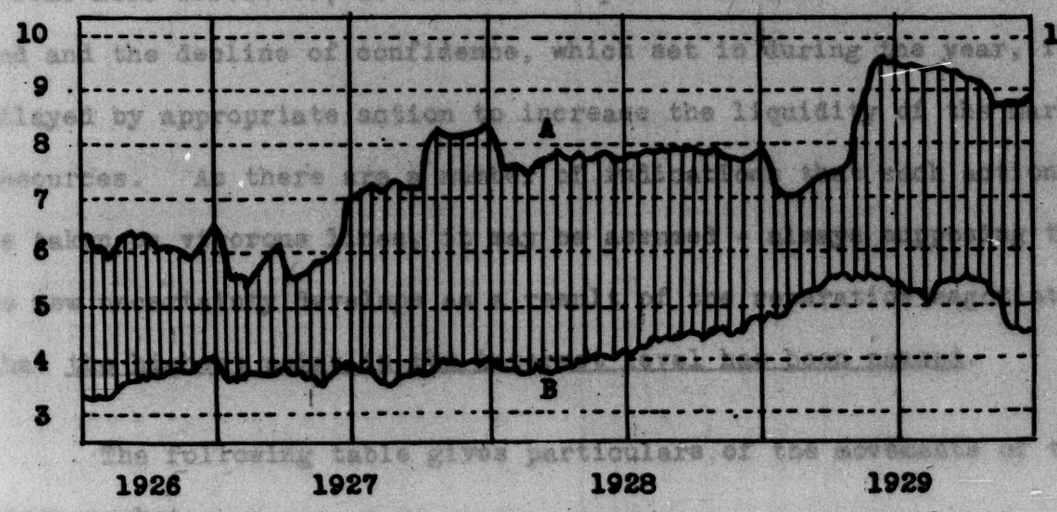
A = Average of German rates for long-term money

B = Average of foreign rates for long-term money

ÉCART ENTRE LES TAUX DU MARCHÉ DE L'ARGENT EN ALLEMAGNE ET A L'ÉTRANGER

A = Taux en Allemagne. Moyenne pour l'argent à long terme

B = Taux à l'étranger. Moyenne pour l'argent à long terme



Interest rates in the first quarter of the year remained under the influence of the diminution (as a result of seasonal influences) in internal requirements and the increase in the requirements of foreign countries. In the second quarter the tension on the home market, which set in during the reparation negotiations, is clearly marked. The spread between German and foreign rates increased suddenly and, even when foreign rates began to decline abruptly in the last quarter of the year, the German rates were slow to follow. Nevertheless the changes of the last few months in foreign centres have not failed to have their effect on the German market, and the easier conditions are likely to become more effective, as soon as the political uneasiness is at an end and the decline of confidence, which set in during the year, is allayed by appropriate action to increase the liquidity of the market's resources. As there are a number of indications that such action will be taken on vigorous lines, it may be assumed - always supposing that no new uncertainty develops as a result of the reparation negotiations - that the highest point in the interest level has been passed.

The following table gives particulars of the movements of the money market.

RATES OF INTEREST ON THE GERMAN MONEY MARKET

DATE*	Debit interest						Credit interest			
							Credit interest of the Stempelvereinigung***			
	Day-to-day money	Month-to-month money for banks	Bills on goods for all buyers	Bank acceptances	Reichsbank discount	Debit interest of the Stempelvereinigung***	Day-to-day money		14 days to one month	
							free of commission	subject to commission	free of commission	subject to commission
	Monthly average*				Position at the end of the month					
	Percentages									
1925										
January ..	10.10	12.00	.	8.03	10.0	15.0	6.0	.	.	.
December .	7.45	10.40	.	6.67	9.0	13.4	5.0	5.0	7.0	7.0
1926										
January ..	6.20	8.99	9.09	6.04	8.0	12.4	4.0	4.5	6.0	6.5
December .	5.52	7.12	5.76	4.72	6.0	9.0	3.0	3.5	4.5	4.5
1927										
January ..	3.80	5.96	4.66	4.09	5.0	8.0	2.5	3.0	4.0	4.0
December .	6.51	9.00	7.60	6.77	7.0	10.0	4.0	4.5	6.0	6.0
1928										
January ..	6.22	7.78	7.19	6.20	7.0	10.0	4.0	4.5	5.75	5.75
December .	6.65	8.62	7.19	6.22	7.0	10.0	4.0	4.5	5.75	5.75
1929										
January ..	5.56	7.71	6.45	5.67	6.5(12.1.)	9.5	3.5	4	5	5
February..	6.95	7.50	6.49	5.98	6.5	9.5	3.5	4	5	5
March	6.96	7.50	6.97	6.39	6.5	9.5	3.5	4	5	5
April	7.42	8.02	7.73	6.96	7.5(25.4.)	10.5	4.5	5	6	6
May	8.76	9.53	9.17	7.50	7.5	10.5	4.5	5	6	6
June	8.00	9.96	8.50	7.47	7.5	11.5	5.5	6	7	7
July	8.40	10.00	8.22	7.32	7.5	10.5	4.5	5	6	6
August ...	7.91	10.00	8.11	7.15	7.5	10.5	4.5	5	6	6
September.	8.11	9.72	7.96	7.25	7.5	10.5	4.5	5	6	6
October ..	7.94	9.24	7.85	7.14	7.5	10.5	4.5	5	6	6
November .	7.95	8.77	7.53	6.91	7.0(2.11.)	10.0	4.0	4.5	5.5	5.5
December**	8.07	9.07	7.56	6.98	7.0	10.0	4.0	4.5	5.5	5.5

* The monthly average rates in each case cover a period extending from the 11th of one month to the 10th of the following month.

** Provisional figures.

*** Berlin Bankers' Association.

The approximation of the rates of the capital market to those of the money market always takes time. Liquidity is the prime consideration of the money market: security, guaranteed over a long period, and remunerativeness are the prime considerations of the capital market. The greater the security and remunerativeness of capital investments, the quicker will be the approximation of the capital market rates to those of the money market. Before the war the unquestioned security and remunerativeness of public issues maintained the supply of capital on the German capital market and attracted new capital. This was one of the principal uses of public issues. Public loans had a similar part to play again in 1926. To facilitate and accelerate the transference of available capital from the money market to the capital market, steps should be taken to enable public issues to continue to fulfil this function. Vigorous action to increase liquidity is under present circumstances the best means to that end. At the same time loans for particular purposes i.e. loans, the proceeds of which are earmarked for specific productive purposes, are well-calculated to strengthen confidence in public issues as a whole.

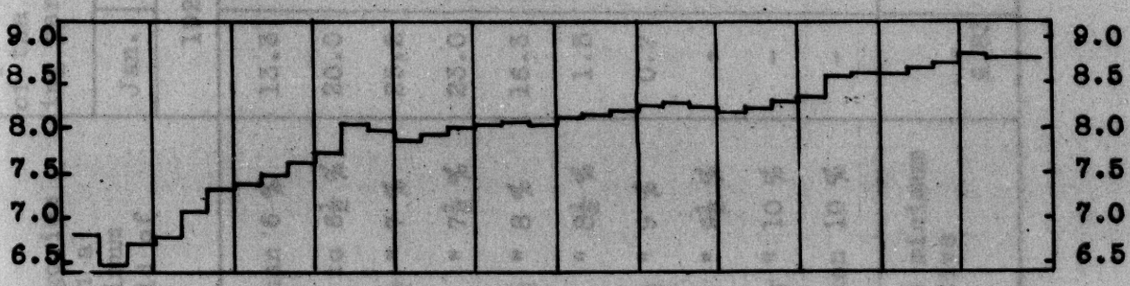
The movement of interest rates is calculated in the following table from the minimum yield on fixed interest-bearing securities and from the yield of shares and interest on mortgages. In calculating the minimum yield on fixed interest-bearing securities a percentage is added to the yearly interest in the case of bonds below par (assuming the latest date of redemption) and deducted in the case of bonds above par (assuming the earliest rate of redemption). The interest on mortgages represents the average interest earned by a number of mortgage and insurance institutions on mortgages of five years' duration.

MINIMUM YIELD ON FIXED INTEREST BEARING SECURITIES

RENDEMENT MINIMUM DES VALEURS À INTÉRÊT FIXE

AVERAGE MINIMUM YIELD ON FIXED INTEREST BEARING SECURITIES

RENDEMENT MINIMUM MOYEN DES VALEURS À INTÉRÊT FIXE



MINIMUM YIELD ON FIXED INTEREST-BEARING SECURITIES

Categories with a minimum yield of	Represent at the middle of the month the following percentages of the whole				Categories with a minimum yield of	Represent at the middle of the months the following percentages of the whole						
	Jan.	July	Jan.	July		Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.
	1927		1928			1929						
less than 6 %	13.3	0.7	0.9	0.3	less than 7 %	4.8	2.3	2.0	4.3	3.7	4.4	3.5
from 6 to 6½ %	20.0	10.3	1.8	0.8	from 7 to 7½ %	9.9	5.5	4.3	4.8	3.5	3.2	2.9
" 6½ " 7 %	25.2	14.3	10.0	3.4	" 7½ " 8 %	13.8	6.6	7.4	6.8	7.2	6.8	6.7
" 7 " 7½ %	23.0	27.9	9.7	10.3	" 8 " 8½ %	42.4	29.4	27.7	19.4	16.1	16.1	14.7
" 7½ " 8 %	16.3	34.6	27.8	15.5	" 8½ " 9 %	25.0	33.5	33.7	33.4	35.7	36.4	34.0
" 8 " 8½ %	1.5	10.3	41.6	47.6	" 9 " 9½ %	3.7	14.2	14.0	15.7	15.2	15.3	17.8
" 8½ " 9 %	0.7	1.5	7.0	19.7	" 9½ " 10 %	0.4	6.2	8.7	9.3	11.3	8.5	8.6
" 9 " 9½ %	-	0.4	0.9	1.4	" 10 " 10½ %	-	1.9	1.4	4.7	4.6	6.5	7.9
" 9½ " 10 %	-	-	-	0.5	" 10½ " 11 %	-	0.4	0.6	0.9	1.0	1.2	1.9
more than 10 %	-	-	0.3	0.5	more than 11 %	-	-	0.2	0.7	1.7	1.6	2.0
Average minimum effective yield	6.83	7.37	7.85	8.12	Average minimum effective yield	8.16	8.59	8.64	8.70	8.79	8.78	8.87

YIELD FROM SPOT DELIVERY SHARES ON THE BERLIN BOURSE*

Categories with a yield of	Categories with a yield represent the following percentages of the total market value			
	June 15, 1928	December 15, 1928	June 15, 1929	December 15, 1929
1 to 2 %	1.29	1.54	0.00	0.00
2 " 3 %	2.40	2.11	1.69	0.08
3 " 4 %	8.57	4.18	4.05	6.05
4 " 5 %	13.40	8.29	7.97	7.79
5 " 6 %	22.96	15.58	9.69	8.99
6 " 7 %	31.08	31.66	24.42	13.04
7 " 8 %	11.32	19.97	25.91	20.88
8 " 9 %	1.94	6.80	13.17	19.15
9 " 10 %	0.54	2.80	6.79	9.49
10 " 11 %	)	)	)	6.84
11 " 12 %	) 6.50	) 7.07	) 6.31	4.47
more than 12 %	)	)	)	3.22

* Insurance companies are not included in the above figures.

INTEREST ON MORTGAGES

(in percentages)

	1928	1929
January	9.88	10.26
February	9.89	10.26
March	9.83	10.20
April	10.15	10.29
May	10.16	10.32
June	10.13	10.43
July	10.15	10.32
August	10.18	10.32
September	10.20	10.56
October	10.24	10.51
November	10.26	10.70
December	10.24	10.80

THE ECONOMIC POSITION OF THE PRINCIPAL CREDITOR COUNTRIES.

The course of events in the United States should serve as an example of the fact that uninterrupted economic expansion is not possible, and that there must be set back from time to time even in the countries which have been most favoured by the general economic development of the last fifteen years. It also affords proof of the fact that all formation of capital is bound up with particular uses which can only slowly be modified. The use of the capital for such objects is the presupposition to its formation. Only odd amounts are available for transference from country to country, or even within a single country from one object to another. The possibility of transferring capital is very much less than the possibility of forming it. The earmarking for particular objects and the magnitude of the odd amounts available for transference varies in the different countries in accordance with their several economic organisations. The available capital is large for example in England and France, and small in the United States and Germany. Changes in the existing allocation of capital are dependent on changes in the structure of the particular economy concerned, and cannot be effected rapidly without disturbance of the co-operation of economic factors and the division of labour.

Such a disturbance occurred during the past year in the United States, as a result of the excessive concentration of capital in the case of undertakings whose shares are dealt with on the American stock exchanges.

Large amounts have been made available for industry at relatively low rates of interest by way of increases of share capital effected at high prices; and this capital has increased the capacity and the desire of industry to develop the machinery of production. This capital (German and foreign) has

been withdrawn from its previous objectives, and its withdrawal has involved a corresponding diminution of capital improvements. It has cheapened the supply of capital to American companies with shares quoted on the stock exchanges, but has made dear the supply of capital to all other categories. Where it was of internal origin and was used for example for financing the construction of dwellings, it is no longer available on the housing market, and to that extent restricts the construction of dwellings and consequently the market for all those undertakings which produce building materials or render services in connection with the construction or decoration of houses. Where it was of foreign origin, it restricts the activity of those countries in respect of capital improvements, and threatens to curtail employment in general and with it the market for American products. This distribution of forces and the changes which have taken place are illustrated by the following comparison of constructional activity in connection with dwelling houses and industrial buildingscoupled with the figures showing the supply of capital to the bond and share market and the movements of the balance of trade and of the index of production.

In the years of recession of the business cycle (1919-20, 1923 and 1929) the construction of dwellings was restricted and the construction of industrial buildings was increased, while the investment of capital in bonds was less than the investment in shares, and the proportion of the surplus of exports over imports declined - except in 1919-20 when the European demand was exceptional. In 1922 and 1926-28 the construction of dwellings and of industrial buildings was approximately equal: production and profits were large, though capable of greater increase than they actually showed: capital was made available mainly in the form of bonds: and the proportion of the surplus of exports over imports increased.

CHANGES IN THE USE OF CAPITAL IN THE UNITED STATES

PERIOD	Building activity		Bond issues	Share issues	Exports in percentages of imports	Index of production (1923-25 = 100)
	Dwelling houses	Industrial buildings	in percentages of total issues			
	in percentages of total building activity					
1919	32.9	55.1	36.8	63.2	202.9	83.0
1920	22.3	62.3	61.8	38.2	155.9	87.0
1921	37.2	41.1	85.2	14.8	178.7	67.0
1922	40.2	41.3	75.5	24.5	123.1	85.0
1923						
1st quarter	36.6	47.3				
2nd "	33.9	51.2				
3rd "	32.0	51.5	75.6	24.4	109.9	101.0
4th "	39.6	44.9				
1924	45.7	37.3	75.0	25.0	127.2	95.0
1925	45.9	37.5	70.4	29.6	116.2	104.0
1926	41.9	42.7	72.9	27.1	108.5	108.0
1927	40.9	42.5	72.2	27.8	116.3	106.0
1928	41.9	43.1	50.0	50.0	125.4	110.0
1929						
1st quarter	37.0	49.0	32.4	67.8	127.8	118.0
2nd "	36.3	48.8	37.5	62.5	103.1	124.0
3rd "	28.9	55.1	16.6	83.4	112.8	123.0

CHANGES IN THE USE OF CAPITAL IN THE UNITED STATES

A = Building of dwelling-houses B = Industrial buildings

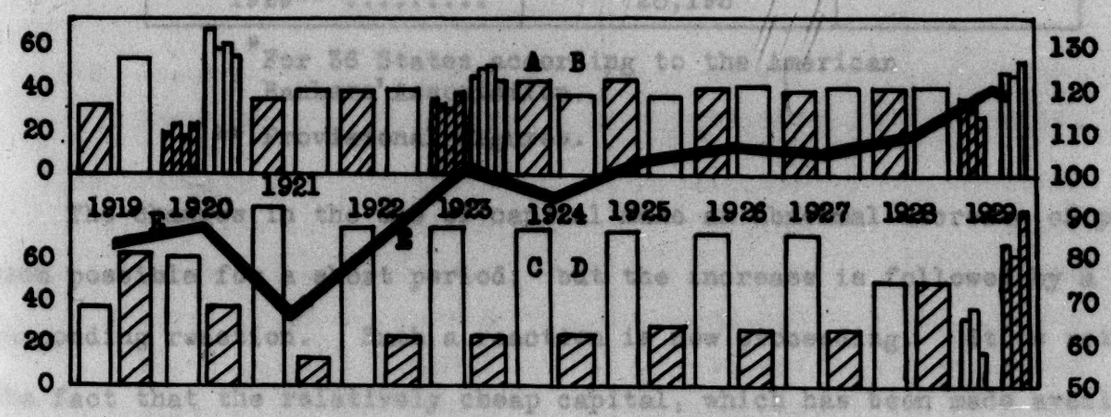
C = Bond issues D = Share issues E = Index of production

TRANSFORMATIONS DANS LE DOMAINE DE L'UTILISATION DES CAPITAUX AUX ÉTATS-UNIS D'AMÉRIQUE

A = Construction de logements B = Construction de locaux industriels

C = Émission d'obligations D = Émission d'actions

E = Indice de la production



The movement of savings deposits is also evidence of very considerable changes in the use of capital during the past year.

SAVINGS DEPOSITS IN THE UNITED STATES*

As at June 30	Savings deposits in millions of dollars	Increase for the year
1921	16,500	
1922	17,578	+ 1,078
1923	19,726	+ 2,148
1924	21,188	+ 1,462
1925	23,134	+ 1,946
1926	24,696	+ 1,562
1927	26,090	+ 1,394
1928	28,132	+ 2,042
1929**	28,195	+ 63

*For 36 States according to the American Bankers' Association.

** Provisional figures.

The changes in the use of capital make an abnormal increase of production possible for a short period; but the increase is followed by a corresponding reaction. Such a reaction is now proceeding. It is retarded by the fact that the relatively cheap capital, which has been made available for industry, has made possible a remarkable development of capital improvements, as the above figures show. Industry, disposing of credit balances on a sufficient scale and commanding a still copious supply of orders, has no motive to hurry itself in restricting capital improvements. For this reason a rapid decline of production is not to be anticipated in the near future. On the other hand there is no general incentive to increase exports. The problem of marketing is not likely to become pressing until the capital improvements of industry have assumed larger dimensions and the market begins to react to the increased capacity of production. Whether this will lead to a notable increase in the competitive struggle will depend on the extent to which capital is again made available in the future for its former objectives in

and outside Germany. The great formation of capital in the country makes it possible to redress the balance out of the surpluses of one to two years.

The reflux of capital from the share market to its former uses began as soon as the view became prevalent that a falling-off of production was impending. As the diffusion of this view assumed the dimensions of panic the return of capital was extraordinarily rapid. The rapidity and volume of the return of capital is shown by the following table.

STOCK EXCHANGE BUSINESS IN THE UNITED STATES

	Stock Exchange Index (1926 = 100) according to Federal Reserve Board	Stock Exchange turnover (in thousands of shares)	Stock Exchange credits (in millions of dollars)
1928 January ...	134.4	56,919	4,420
December ..	172.9	92,837	6,440
1929 January ...	183.6	110,806	6,735
February ..	186.8	77,969	6,679
March	189.4	105,662	6,804
April	186.6	82,600	6,775
May	189.7	91,284	6,665
June	188.6	69,564	7,071
July	207.2	100,735	7,474
August	218.0	88,350	7,882
September .	225.2	100,050	8,549
October ...	208.5	141,668	6,109
November ..	170 (about)	76,131	4,017

The movements of the foreign exchanges and of gold show that foreign countries are receiving back large sums.

MOVEMENTS OF GOLD AND OF FOREIGN EXCHANGE RATES IN THE UNITED STATES

DATE	Movement of gold	Foreign exchange rates in percentages of divergence from New York parity
1927 1st quarter	+ 104.7	- 0.38
2nd "	- 9.4	- 0.37
3rd "	+ 16.5	- 0.21
4th "	- 191.5	+ 0.17
1928 1st quarter	- 74.8	+ 0.09
2nd "	- 195.4	+ 0.22
3rd "	+ 15.8	- 0.12
4th "	+ 16.5	- 0.15
1929 1st quarter	+ 46.4	- 0,31
2nd "	+ 136.4	- 0.22
3rd "	+ 47.3	- 0.18
October	+ 14.0	+ 0.10
November	about - 45.0	+ 0,38
December	about - 90,0	+ 0.39

The movement would be more marked (see first graph on following page), if the United States had not at the same time been the objective of capital emigrating from its own country of origin. The heavy movements of gold from the Argentine are particularly noticeable in this connection.

MOVEMENTS OF INTEREST RATES IN NEW YORK

	1928		1929							
	Jan.	Dec.	Jan.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Day-to-day money	4.20	8.73	6.97	7.25	9.17	8.11	9.17	6.02	5.37	4.56
Bank acceptances	3.42	4.61	4.90	5.52	5.23	5.19	5.19	5.15	4.32	3.95
Commercial bills	3.87	5.37	5.39	6.00	5.97	6.12	6.12	6.12	5.77	5.26
Bank discounts	3.50	5.00	5.00	5.00	5.00	6.00	6.00	6.00	5.00	4.50
Index of fixed interest-bearing securities*	99.35	96.24	96.12	93.5	93.3	92.5	92.3	92.7	.	.

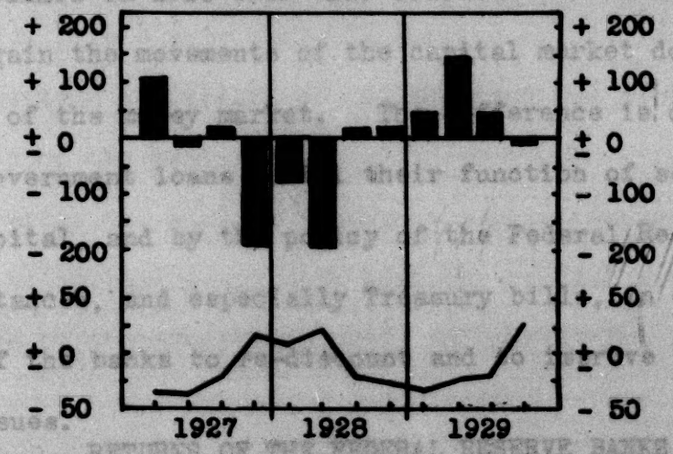
* Average of 40 different bonds.

MOVEMENTS OF GOLD AND OF FOREIGN EXCHANGE RATES IN THE UNITED STATES

Increase and decrease of the gold holdings in millions of $

MOUVEMENT DE L'OR ET COURS DES DEVISES AUX ÉTATS-UNIS D'AMÉRIQUE

Augmentation et diminution de l'encaisse or en millions de dollars



Foreign exchange rates in percentages of divergence from New York parity.

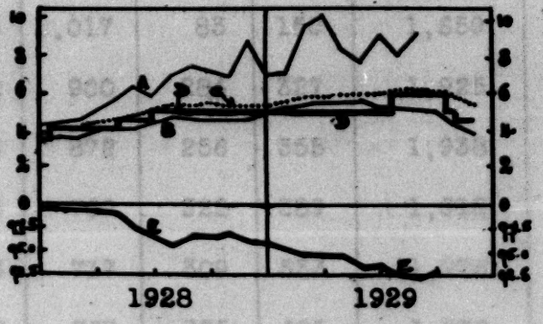
Différence entre les cours des devises étrangères à New-York et le pair (en % du pair).

DEVELOPMENT OF INTEREST RATES IN NEW YORK

A = Day-to-day money
B = Bank acceptances
C = Commercial bills
D = Bank discounts
E = Index of fixed interest-bearing securities

ÉVOLUTION DU TAUX DE L'INTÉRÊT A NEW-YORK

A = Argent à vue
B = Acceptations des banques
C = Traites commerciales
D = Taux officiel de l'escompte
E = Indice des valeurs à intérêt fixe



The extent of the return of capital is not yet known. But the calculations of the American balance of payments show purchases of American securities by foreign countries to a total of $ 889 millions in 1927 and $ 1,704 millions in 1928, as against which one must put American purchases of foreign securities to the extent of $ 731 millions in 1927 and $ 1,203 millions in 1928, so that there was an import of capital of as much as 500 million dollars in 1928 from this source.

Here again the movements of the capital market do not at once follow the movements of the money market. The difference is diminished to the extent that Government loans fulfil their function of serving as rallying points for capital, and by the policy of the Federal Reserve Banks in buying up bank acceptances, and especially Treasury bills, in order to strengthen the ability of the banks to re-discount and to improve the market for Government issues.

RETURNS OF THE FEDERAL RESERVE BANKS

DATE	Gold holdings	Bills discounted	Bills purchased	State loans	Federal Reserve notes in circulation	Total deposits	Ratio of the reserves to the deposits and Federal Reserve notes
1927 December 29	2,739	609	386	603	1,813	2,473	66.8
1928 June 28 ...	2,583	1,032	223	212	1,605	2,382	68.7
December 27	2,584	1,668	489	232	1,911	2,455	61.6
1929 March 28 ..	2,709	1,024	208	170	1,653	2,383	71.3
June 27 ...	2,896	1,017	83	150	1,659	2,420	75.3
November 21	3,042	900	284	327	1,925	2,563	71.2
December 5.	2,993	872	256	355	1,938	2,453	71.5
" 12.	2,964	769	322	389	1,918	2,426	71,6
" 19.	2,883	737	309	533	1,926	2,439	69.3
" 27.	2,822	763	355	485	1,989	2,375	67.6

With the reduction of the American interest level the inclination to take up foreign issues of sound security and higher interest should once more develop. The possibility of placing sound German loans should therefore improve. At the same time it would be a mistake to overestimate the capacity of the United States for long term investment in foreign countries. Averaged over a number of years the capacity of the United States to invest in foreign countries is limited to the surplus of the balance of payments, which is only a little more than the surplus of the trade balance, which is rather less than a milliard of dollars, and has diminished since the second quarter of the past year.

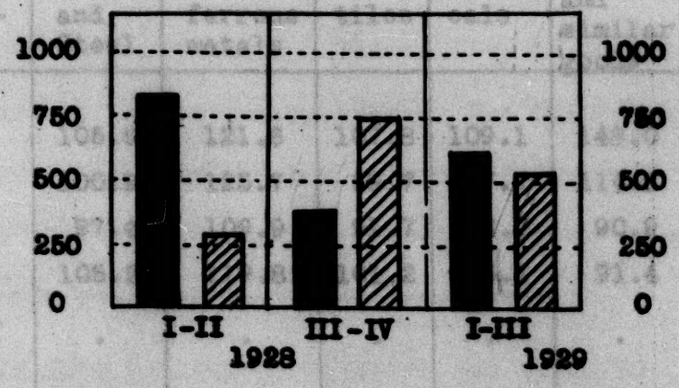
Temporarily the ability to export capital may go beyond these limits, and has done so in past years when European capital was pouring into America partly because of the greater security and partly for speculative reasons. In the absence of any prospect of exports of European capital to the United States in the near future there is no ground for anticipating any such ability on the part of the latter to export capital.

FOREIGN LOANS AND THE CAPACITY TO EXPORT CAPITAL OF THE UNITED STATES.

	Foreign loans (not including conversions)	Surplus of exports over imports (not including gold and silver)
	in millions of $	
1st six months of 1928	858.8	+ 278
2nd " " " 1928	413.2	+ 733
1st quarter of 1929	234.5	+ 302
2nd " " 1929	287.7	+ 39
3rd " " 1929	96.9	+ 193.3
October 1929		+ 138.0

FOREIGN LOANS AND THE CAPACITY TO EXPORT CAPITAL OF THE UNITED STATES

EMPRUNTS EXTÉRIEURS ET CAPACITÉ D'EXPORTATION DES CAPITAUX DES ÉTATS-UNIS D'AMÉRIQUE



Black column:
Foreign loans

Hatched column:
Surplus of exports over imports

Colonne en noir:
Emprunts extérieurs

Colonne avec hachures:
Excédent des exportations

There is a tendency to increased production in Great Britain, in which most branches of industry - but more especially coal and iron - have participated, as shown by the following table:

BRITISH INDEX OF PRODUCTION

1924 = 100 (Board of Trade)

	Total	Coal industry	Iron and Steel	Non-ferrous metals	Textiles	Chemicals	Leather and similar goods	Foodstuffs	Shipbuilding and machinery
1928									
1st quarter	109.3	96.2	105.6	121.6	107.8	109.1	148.0	98.7	117.9
2nd "	103.6	85.5	100.9	125.7	99.7	107.9	114.9	99.3	116.6
3rd "	100.2	83.2	97.4	109.9	91.7	106.3	90.9	105.1	107.9
4th "	108.5	91.9	105.2	119.8	101.2	115.1	91.4	104.8	111.5
1928	105.3	.	.	.	.	.	.	.	.
1929									
1st quarter	110.3	98.9	111.5	115.7	101.7	108.3	103.2	97.5	119.0
2nd "	111.9	92.6	117.8	128.7	99.6	112.9	100.7	109.0	124.7
3rd "	110.3	94.4	113.7	114.6	91.2	117.5	95.2	111.8	118.3

This improved industrial activity went hand in hand with a replenishment of stocks, which involved a certain increase of the adverse trade balance. The balance of payments on the other hand must have been more favourable and not far off the pre-war figure. The improvement in freights and the increased turnover of international trade will have benefited British shipping and British commerce. The ability to export capital is likely therefore to have again increased during the year. In the first three quarters of the year British loans to foreign countries assumed exceptionally large dimensions. They were however mostly short-term, and went in the main to America, where the high rates of interest exercised a powerful attraction on a capital market so

mobile as the British. The result was an exceptionally large efflux of gold from the Bank of England, an increase in the bank rate from 4½ to 6½ per cent, and a marked decline in the second half of the year of the volume of loans to foreign countries, which was felt particularly severely in view of the fact that at that time England was the only big centre at all for foreign capital issues. With the turn on the American market British short-term money found its way back to England in the last quarter of the year, and shortly afterwards the bank rate was reduced to 5 per cent. The ability to absorb foreign issues should be quite considerable in the coming year. The following table gives a picture of the large sums which England now has at her disposal for loaning out to other countries, including Germany. The table also shows however that Germany's share in all the years tabulated was very small.

GREAT BRITAIN'S BALANCE OF PAYMENTS AND LOANS TO FOREIGN COUNTRIES

	1913	1925	1926	1927	1928	1928 Jan.-Nov.	1929 Jan.-Nov.
	in millions of £						
Favourable balance of payments	+ 181	+ 54	+ 9	+ 114	+ 149	.	.
which figure incorporates:							
Adverse trade balance	- 134	-396	-466	- 388	- 353	- 321	- 344
Long-term loans to foreign countries ..	197.6	99.5	122.0	153.0	158.9	144.5	110.5
of which there went to:							
British Possessions	99.6	69.2	57.5	98.2	81.5	75.7	58.2
Germany	)	(6.0	6.3	7.3	7.8	7.0	3.1
Other foreign countries	) 98.0	(24.3	58.2	47.5	69.6	67.8	49.2

MOVEMENTS OF THE POUND STERLING

	Jan.	Febr.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1928 Pound/dollar quotations in London in percentages of parity	100.19	100.18	100.29	100.33	100.32	100.30	99.96	99.75	99.69	99.67	99.68	99.70
1929 Pound/dollar quotations in London in percentages of parity	99.96	99.72	99.72	99.72	99.64	99.62	99.68	99.64	99.62	100.05	100.22	
1928 Seasonal index number for the pound/dollar quotations in London (1905 - 1913) ...	100.1	100.1	100.0	100.0	100.0	100.0	100.0	99.9	99.8	99.9	99.9	99.8
Call money 1928 ..	4.20	4.32	4.45	5.02	5.64	6.71	5.88	6.89	7.37	7.12	6.75	8.74
1929 ..	6.85	7.14	9.05	9.06	8.41	7.79	8.98	8.11	8.16	5.87	5.25	

POUND/DOLLAR QUOTATIONS IN LONDON IN PERCENTAGES OF PARITY

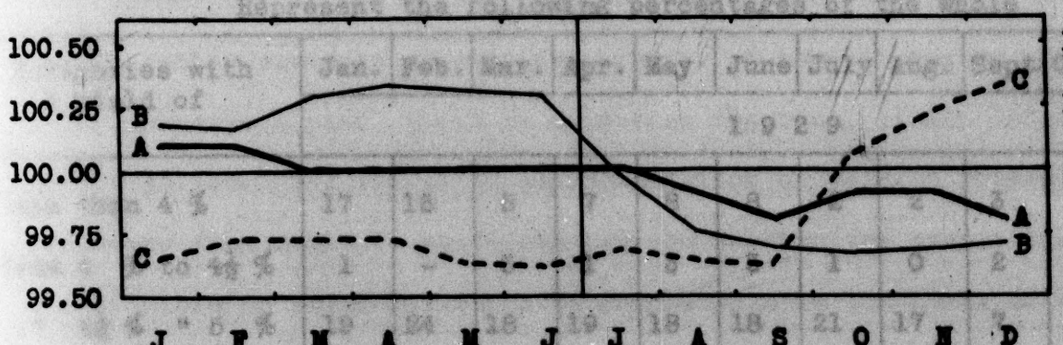
A = Seasonal index number 1905-1913

B = 1928 C = 1929

COURS DU DOLLAR PAR RAPPORT A LA LIVRE STERLING A LONDRES EN % DU PAIR

A = Indice saisonnier (1905-1913)

B = 1928 C = 1929



In England, as elsewhere, the movements of the short-term money market are slow to influence the capital market. It was not until the latter half of the year that the yield on capital issues showed any marked rise, and it was not until the end of the year that it reached its maximum in spite of the reaction on the money market. The seasonal easing of the position in the first quarter should accelerate the transference of funds from the short to the long-term market.

YIELD FROM BRITISH FIXED INTEREST-BEARING SECURITIES

Represent the following percentages of the whole												
Categories with a yield of	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	1929											
less than 4 %	17	15	5	7	8	8	2	2	3	0	1	1
from 4 % to 4½ %	1	-	3	1	3	3	1	0	2	1	0	0
" 4½ % " 5 %	19	24	18	19	18	18	21	17	7	9	12	13
" 5 % " 5½ %	26	26	37	35	32	35	49	51	53	54	53	47
" 5½ % " 6 %	21	23	24	23	26	21	7	11	16	17	16	21
" 6 % " 6½ %	4	4	5	7	5	5	8	5	5	5	4	4
" 6½ % " 7 %	8	4	4	4	3	3	4	3	3	4	4	4
more than 7 %	4	4	4	4	5	7	8	11	11	10	10	10
Average effective yield	5.20	5.17	5.36	5.35	5.32	5.33	5.44	5.50	5.54	5.59	5.55	5.57

France has remained screened from the difficulties which the year brought to almost every country forming a part of the international credit system. France disposes of exceptionally large amounts of capital which might be available for export. She is at present one of the countries which have the largest share in loans to foreign countries, yet is at the same time the country which withholds its resources most rigorously from the foreign market. France emerged from the war - as is now clear - one of the richest countries of the world. She draws from her trade, her tourist traffic and her capital dealings a sum which is hardly any less than before the war. In addition she receives from Germany in the form of reparation payments a political annuity of something over half a milliard of reichsmarks a year, which is more than the total of her indebtedness to her Allies. The result is an accumulation of gold in France, which increases from month to month and has now reached the exceptionally large sum of close on seven milliards of reichsmarks in the hands of the Banque de France alone.

RETURNS OF THE BANQUE DE FRANCE

DATE	Gold	Foreign exchange		French bills	Note circulation
		Sight deposits abroad	Foreign bills		
	in millions of francs				
1928 June 25	28,935	15,985	10,561	2,955	58,772
December 28 .	31,977	13,510	19,215	5,667	63,916
1929 June 28	36,624	7,300	18,503	8,023	64,921
December 6 ..	41,131	7,168	18,730	8,358	67,291
December 13 .	41,248	7,190	18,747	7,793	66,904
December 20 .	41,388	7,291	18,790	7,239	67,149

The gold and foreign exchange holdings of the Banque de France are very much higher, reckoned per head of the population, than the whole of the gold holdings of America (reckoned in the same way) including gold coin, gold certificates and all other forms of gold currency in America. The note circulation has a 100 per cent gold and foreign exchange cover. The possession of such vast supplies of loanable capital has made the French capital market the cheapest in the world. The interest level in the French money market has hardly been touched by the increasing cost of money in other countries, while the rates for money on the capital market have actually sunk, as the two following tables show.

BANK ACCEPTANCES IN PARIS

1927 January	4.99
December	2.95
1928 January	2.81
December	3.37
1929 January	3.36
June	3.41
July	3.45
August	3.44
September	3.47
October	3.54
November	3.56

YIELD OF FRENCH FIXED INTEREST-BEARING SECURITIES*

Categories with a yield of	represent the following percentages of the whole															
	Apr.	May	June	Nov.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	1928				1929											
less than 4%	3.0	2.9	5.4	3.2	4.4	4.8	4.1	3.2	3.8	3.8	4.0	4.7	4.9	5.0	4.6	4.8
from 4 - 4½%	3.8	3.7	3.2	4.0	3.0	3.7	3.9	3.9	5.6	6.8	6.9	6.2	7.3	10.8	10.3	14.5
" 4½ - 5%	4.4	5.6	8.8	13.0	14.9	13.8	11.9	13.5	19.3	19.5	18.6	18.6	21.1	20.2	20.7	19.3
" 5 - 5½%	8.8	12.0	12.8	16.5	15.6	18.7	17.7	18.3	13.3	14.8	14.0	15.1	14.2	13.0	13.8	11.8
" 5½ - 6%	14.3	14.2	18.4	20.3	18.4	16.8	17.2	20.4	26.8	29.8	23.7	21.9	25.7	25.5	22.5	24.7
" 6 - 6½%	33.0	35.9	35.3	33.7	29.9	30.9	28.7	31.1	23.8	19.5	24.4	25.5	20.2	19.8	19.6	18.6
" 6½ - 7%	27.7	20.6	14.2	7.3	11.0	8.8	13.8	6.4	5.4	4.9	6.9	6.7	5.1	3.7	7.0	5.0
more than 7%	5.0	5.1	1.9	2.0	2.8	2.5	2.7	3.2	2.0	0.9	1.5	1.3	1.5	2.0	1.5	1.3
Average effective yield	6.04	5.98	5.79	5.67	5.69	5.64	5.72	5.67	5.53	5.46	5.52	5.52	5.43	5.39	5.42	5.35

* The premium on redemption is included in the form of an annual increase to the interest rate.

The abundant supply of capital made possible considerable capital activity in 1928, and in 1929 this activity increased. France's industrial production had risen in the autumn to 141 per cent of the pre-war figure, while there is no such thing as unemployment in France.

FRANCE'S CAPITAL ACTIVITIES

DATE	Index of production 1913 = 100	Imports	Exports	Unemployment No.of unemployed in receipt of relief in 1,000 Monthly average	French internal capital issues Shares and bonds
		in millions of gold francs			in millions of gold francs
1927 Monthly average	109	895.7	934.0	about 39	925.2
1928 January ...	116	824.8	803.4	17.8	132.4
1928 December ..	134	1,042.6	946.6	0.9	294.2
1929 January ...	137	1,034.6	740.6	1.6	154.0
July	139	925.4	853.8	0.4	308.6
August	139	867.9	760.8	0.4	124.2
September .	138	870.6	844.2	0.4	184.2
October ...	141	903.1	877.2	0.4	458.6

The consumption of the people has not risen to the same extent for the reason that there has been no increase to speak of in the population. The formation of capital must therefore be very great. It may be assumed that the considerable industrial development of the country will continue in the near future: but the ability of France to loan money to foreign countries should not be affected to any extent in the near future by internal demands on the market. But whether France will give the international capital market the support which in view of her wealth she is in a position to give, and which America and England have already given, will depend on when the French policy of hoarding capital is abandoned. It is possible that the "mobilisation" issues of reparation bonds will be placed to a considerable extent in France, and will inaugurate a considerable export of French capital. France has no use at home for new foreign capital such as the mobilisation of the reparation annuities on the international market will attract. If she were to lock up these sums as well, the effect on the capital supply of the world would be considerable.

THE PROSPECT.

For more than a year Germany has once more been exposed to the pressure exercised by reparation negotiations. For the creditor countries the issue in these negotiations was the securing for themselves of sums representing only an insignificant proportion of their respective national incomes. For Germany on the other hand vital economic, and (in view of the de facto association with the question of the evacuation of the Rhineland) political, decisions were at stake. The difficulties and the length of the negotiations were bound to give rise to political and economic uneasiness in more directions than one, and the longer the negotiations continued the greater was necessarily the strain on the nerves and patience of those concerned. A debtor country - however great its economic achievements may be, and however much capacity it may have shown to face and overcome adverse conditions - is bound to feel such difficulties more than a creditor country. Dependent as it is on the influx of foreign capital and on the exploitation to the very utmost of its own resources, it is bound to be sensitive to any and every diminution of confidence in its future. It does not command the rich material reserves of the creditor countries. Its strongest reserve is its ability, by punctual fulfilment of its economic obligations and by holding the means which it requires for that purpose always to hand, to give proof of the unquestionable security of the capital entrusted to it. The burden on the debtor country is consequently increased if the liquidity of the assets of prominent public bodies is diminished. The burden is still further increased if at the same time a great demand for capital develops in an important creditor country like America, and the prospects of exceptional profits attract capital (as in the recent case) from all over the world. With these increased difficulties Germany has had to cope during the past year. The

power of resistance which she has displayed in face of them at almost all points is remarkable and well calculated to inspire confidence in the future.

The special circumstances which enabled the American market to attract European capital are no more, and there is now a possibility of making a rapid end of the reparation negotiations on the basis of the Young Plan and completing the evacuation of the foreign troops in Western Germany. Measures to improve the liquidity of the public finances have been introduced: and important reasons for the present lack of enterprise and lack of confidence in Germany's economic future thereby fall to the ground.

The disproportion between capital activities and capital supply still remains. Further curtailment of capital activities will hardly be avoided. The German economy will have to give further proof of its powers of resistance and its skill in adjusting itself to changed conditions for the sale of its products. That implies yet greater efforts, which will not be made without sacrifice. The emergence of the efficient has always been at the expense of the inefficient; but the outcome has always been an enhanced aggregate achievement.

Germany in the past four years has given proof of her ability to adjust herself to new tasks, and she will do so again. Such adjustment will be facilitated in proportion to the vigour which is shown in establishing the unquestionable security of economic obligations, and attracting new capital by such practical bidding for public confidence. The economic progress in which Germany has had her part in recent years, the increase of her capacity and achievements, and the improvement of her economic and political position in the world, all afford justification for the belief that a new expansion will follow when once the ground is prepared.

REPARATION BALANCE SHEET

1. Receipts and Payments according to their origin and utilisation.

Receipts (in millions of RM)

	First	Second	Third	Fourth	Fifth	September to November 1929
	Annuity year, September to August					
	1924/25	1925/26	1926/27	1927/28	1928/29	
Budgetary contribution..	-	250.00	1) 410.00	3) 500.00	5) 1,250.00	311.74
Transport tax	-	241.80	278.09	285.83	290.00	72.41
Interest on the German Railway Bonds	200.00	550.00	2) 540.00	4) 660.00	6) 660.00	161.69
Interest on the Industrial Debentures	-	125.00	250.00	300.00	300.00	-
Receipts from the Dawes Loan	800.00	-	-	-	-	-
Differences in exchange and interest received..	0.46	3.00	2.76	4.56	8.50	3.00
Less interest credited to the German Railway..	-	- 7.41	- 6.48	- 7.09	8.09	-
Total receipts	1,000.46	1,162.39	1,474.37	1,743.30	2,500.41	548.84
Brought forward	-	107.01	93.63	185.49	189.49	237.06
	-	-	-	-	-	785.90
Loan to Germany	-	-	-	-	-	86.71
Total	1,000.46	1,269.40	1,568.00	1,928.79	2,689.90	699.19

Payments (in millions of RM)

1. In foreign currency	271.15	419.48	681.78	943.24	1,418.52	223.56
Service of the Loan (cash transfers)	77.53	97.20	91.32	90.49	89.32	19.91
Reparation Recovery Acts	180.26	243.08	290.12	350.99	401.69	66.48
Treaty deliveries	-	5.00	40.20	30.16	45.15	9.81
Cash transfers	-	65.00	255.11	460.41	876.31	126.38
Costs of Inter-Allied Commissions	13.36	9.20	5.03	3.68	5.45	0.98
Other payments	-	-	-	7.51	0.60	-
2. In German currency ..	622.30	756.29	700.74	796.06	1,034.32	219.78
Deliveries in kind ...	420.22	655.90	617.00	724.54	985.12	209.86
Costs of Occupation ..	187.42	86.19	73.52	65.68	41.83	8.45
Costs of Inter-Allied Commissions	13.36	9.20	5.04	4.60	6.07	1.15
Other payments	1.30	5.00	5.18	1.24	1.30	0.33
Total payments	893.45	1,175.77	1,382.52	1,739.30	2,452.84	443.34
Cash surplus	107.01	93.63	185.48	189.49	237.06	255.85
Total	1,000.46	1,269.40	1,568.00	1,928.79	2,689.90	699.19

1) Of which 8.09 and 2) 45.00 million RM were in completion of the Second Annuity.
3) Of which 20.00 and 4) 55.00 " " " " " " " Third " .
5) Of which 24.17 and 6) 55.00 " " " " " " " Fourth " .

2. Distribution of Reparation payments among the different countries

a) in millions of RM

	Monthly average					
	1924/25	1925/26	1926/27	1927/28	1928/29	Sept. to Nov. 1929
France	33.05	47.14	53.19	71.88	105.88	65.77
Great Britain ..	15.82	18.89	25.21	30.59	44.21	19.67
Italy	5.03	6.42	7.73	9.96	14.65	11.87
Belgium	7.79	9.70	5.72	9.05	10.51	13.49
Yugoslavia	2.52	3.18	3.86	4.88	7.53	12.19
U. S. A.	-	1.24	8.23	7.10	8.35	9.91
Rumania	0.62	0.75	0.89	1.28	1.99	0.33
Japan	0.32	0.24	0.84	0.76	1.07	2.22
Portugal	0.39	0.52	0.68	0.84	1.20	1.19
Greece	0.22	0.26	0.35	0.36	0.57	0.78
Service of Loan	6.46	8.10	7.61	7.54	7.44	6.64
Other payments (incl. costs of Control)	2.24	1.55	0.90	0.70	1.01	3.72
TOTAL	74.46	97.99	115.21	144.94	204.41	147.78

b) in percentages of total amount

	1924/25	1925/26	1926/27	1927/28	1928/29	Sept. to Nov. 1929
France	44.39	48.11	46.17	49.59	51.81	44.50
Great Britain ..	21.25	19.28	21.88	21.11	21.63	13.31
Italy	6.76	6.55	6.71	6.87	7.17	8.03
Belgium	10.46	9.90	4.96	6.24	5.14	9.13
Yugoslavia	3.37	3.35	3.35	3.37	3.68	8.25
U. S. A.	-	1.26	7.14	4.90	4.08	6.71
Rumania	0.83	0.76	0.77	0.88	0.97	0.22
Japan	0.43	0.24	0.73	0.52	0.52	1.50
Portugal	0.52	0.53	0.59	0.58	0.59	0.81
Greece	0.30	0.27	0.31	0.25	0.28	0.53
Service of Loan	8.68	8.27	6.61	5.20	3.64	4.49
Other payments (incl. costs of Control)	3.01	1.58	0.78	0.49	0.49	2.52
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 17, 1930.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS AT DECEMBER 31, 1929.

(cf. DOC. 323)

The following is a translation of the balance sheet of the Rentenbank as at December 31, 1929, as published in the Reichsanzeiger No. 13 of January 16, 1930:

	November 30, 1929	December 31, 1929
A S S E T S		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on 30.11.29 Rt.M. 899,844,000 as on 31.12.29 Rt.M. 899,844,000		
Loan to the Reich	550,605,129.29	550,605,129.29
Outstanding claim (Rentenbank-Kreditanstalt)	13,126,030.60	13.135,821.40
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	36,539,855.65	36,695,373.59
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	2,632,615.17	2,689,149.16

LIABILITIES	November 30, 1929	December 31, 1929
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	410,284,133.-	410,284,133.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.-	156,000.-
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,884,120.82	6,927,418.22
Miscellaneous liabilities	543,088.92	544,463.46

Since the coming into force of the Law on the liquidation of Rentenbank notes, Rentenbank notes to the following amounts have been redeemed:

Rentenmarks	336,726,498.25	under § 7a	of the Law
"	300,000,000.-	" § 7b	" " "
"	82,750,870.75	" § 7c	" " "
"	880,334,583.-	" § 11	" " "
Total: Rentenmarks	1,599,811,952.-		

Transl. 7743
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I.I.9.411 DOC. 327

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 17, 1930.

ANNUAL REPORT OF THE REICHSBANK FOR THE YEAR 1929.

(see DOC. 305)

Translation of pages 1 to 19 of the German text and Annexes III, IV, VII, VIII.

(For Annexes I, II, V and VI see German issue).

The main feature of the year 1929, so far as the Reichsbank was concerned, was the success in overcoming the disturbance to the currency occasioned in connection with the negotiations of the Experts in Paris. The occurrence revealed like a flash of lightning the marked dependence of German credit on political factors and the peculiar dangers of heavy indebtedness to foreign countries. The actual difficulties were overcome with comparative rapidity; but the fluctuations in the course of events and the - for Germany - unsatisfactory result of the Paris Conference frustrated the hopes which had been entertained in all countries that the Conference would be followed by a genuine easing of the position and a sense of psychological relief. In Germany at any rate there remained a lingering economic and political uneasiness which, fostered by the collapse of various concerns and by the financial difficulties of a number of public bodies, still holds the field.

The recessive movement of the business cycle, which began in 1928, was more marked during the year under report. The unusually long and severe winter, the reparation payments which had now reached their maximum, the continued increase in the abnormally high rates of interest, coupled with credit difficulties and high figures of unemployment, heavy public charges and low profits, were all factors which contributed to determine the economic situation in the course of the year. That the figures of production and sales were comparatively slow in showing a decline, and that the decline when it came was comparatively slight, was due partly to the stubborn power of resistance of the German economy in face of the difficulties with which it has to contend, and partly also to a certain increase in the ability of foreign countries to take German products, which afforded a certain offset to the reduced internal purchasing power of Germany, though some of the goods exported were exported at a loss. Prices controlled by cartels and similar organisations on the average maintained their level; but, where no such control existed, there was a downward tendency in the case of almost every category of commodities. Standard wages based on wage agreements, which like the prices of commodities are largely controlled by cartels, continued even in the latter half of the year to show a rise.

The money market exhibited the customary relaxation after the settlement at the end of the year; and the Reichsbank was able to reduce its discount rate on January 12 from 7 to 7½ per cent. In view of the marked decline in the capital investments of the Bank the latter was able to ignore, and did in fact

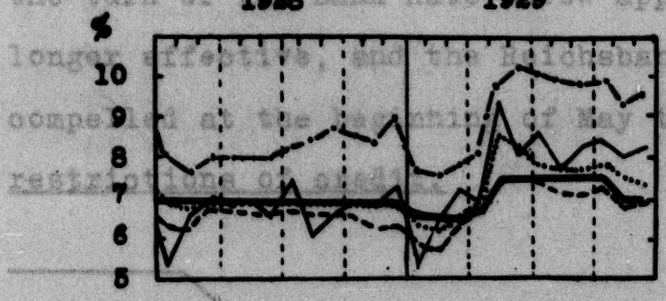
consciously ignore, the fact that the curtailment of the margin between the rates of interest in and outside Germany was likely to slow down the influx of foreign capital and might under certain circumstances involve a certain reduction in the Reichsbank's large holding of gold and foreign exchange. But the withdrawals of gold and foreign exchange, which began in the spring, assumed dimensions which exceeded all expectations. Side by side with the service of the interest and amortisation of the heavy foreign indebtedness and the continual foreign exchange payments on reparation account, both of which drew heavily on the gold and devisen of the Reichsbank, the position on the international money market became less favourable, and above all there began towards the end of March a "flight from the mark", the origins of which are to be sought in a panic complex created by the fluctuations of the Paris Conference and fostered by irresponsible elements in and outside Germany. As Germany in virtue of her capital shortage and the heavy reparation burdens which she has to support is dependent for the supply of capital on foreign countries, an unpleasant situation arose when the foreign supply ceased to be available and foreign capital was withdrawn - in part deliberately - or ceased to be invested in Germany. The dangers inherent in this situation to Germany were clearly revealed during the crisis in the spring, although throughout the negotiations on the Young Plan, both in Paris and at The Hague, they played a subsidiary part. The position was bound to affect the German money and capital market in the sense of undermining and shattering confidence.

MOVEMENT OF THE REICHSBANK DISCOUNT RATE AND OF THE RATES FOR DAY-TO-DAY MONEY, MONEY-AT-ONE-MONTH, BANKERS' BILLS AND BILLS ON GOODS WITH BANK ENDORSEMENTS ON THE BERLIN BOURSE

(Monthly averages)

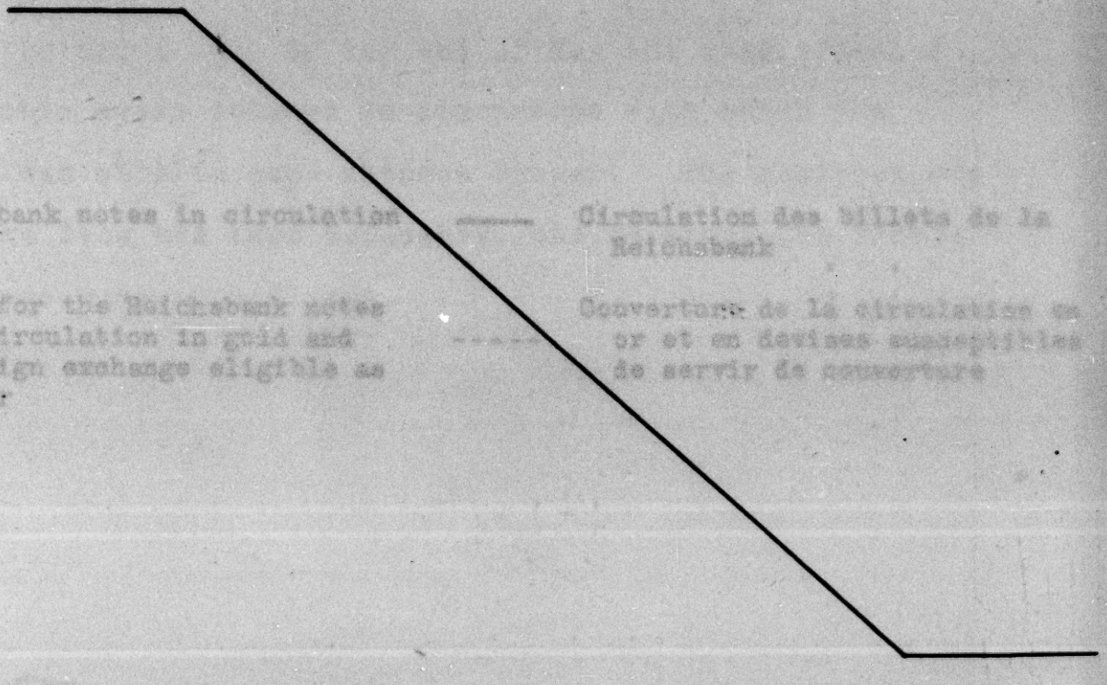
MOUVEMENT DE L'ESCOMPTE DE LA REICHSBANK, DU TAUX DE L'ARGENT A VUE, DE L'ARGENT AU MOIS, DE L'ESCOMPTE HORS BANQUE ET DES TRAITES SUR MARCHANDISES ENDOSSEES PAR DES BANQUES, A LA BOURSE DE BERLIN

(Moyenne mensuelle)



Money-at-one-month	—·—·—	Argent au mois (Monatageld)
Bills on goods	·····	Traites sur marchandises (Warenwechsel)
Reichsbank discount rate	———	Escompte de la Reichsbank (Reichsbankdiskont)
Bankers' bills	- - - - -	Escompte hors banque (Privatdiskont)
Day-to-day money	———	Argent à vue (Tägl. Geld)

The discount rate of the Bank was raised on April 25 from 6½ to 7½ per cent, but without effect: there was no reflux of gold and foreign exchange, nor on the other hand any reduction of the recourse to the Bank for the negotiation of inland bills. It became increasingly clear that a crisis of confidence had developed. The internal demand for credit increased beyond the economic requirements of the country, and was directed largely to the accumulation of stocks of foreign exchange. Under these circumstances the turn of the Bank Rate screw appeared to be no longer effective, and the Reichsbank was unfortunately compelled at the beginning of May to inaugurate <u>restrictions of credit.</u>

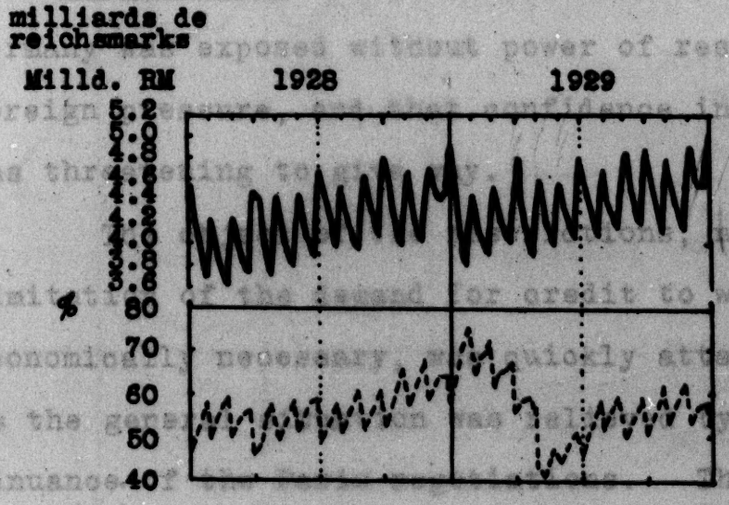


REICHSBANK NOTES IN CIRCULATION AND COVER FOR THE SAME IN GOLD AND FOREIGN EXCHANGE ELIGIBLE AS COVER

(from the weekly returns of the Bank)

CIRCULATION DES BILLETS DE LA REICHSBANK ET COUVERTURE DE LA CIRCULATION EN OR ET EN DEVISES SUSCEPTIBLES DE SERVIR DE COUVERTURE

(chiffres hebdomadaires)



Reichsbank notes in circulation —— Circulation des billets de la Reichsbank

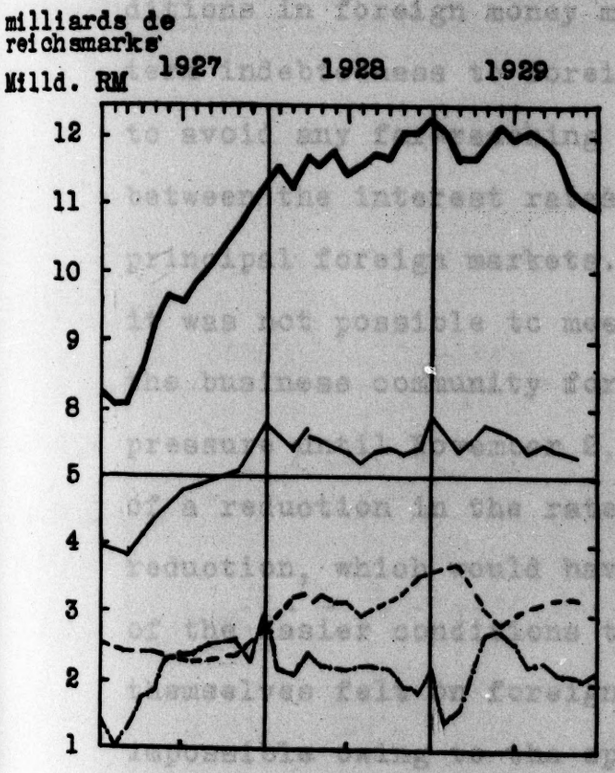
Cover for the Reichsbank notes in circulation in gold and foreign exchange eligible as cover ----- Couverture de la circulation en or et en devises susceptibles de servir de couverture

The Bank is profoundly conscious of the fact that restrictions always involve a danger to economic development, depriving the business of the country as they do of the undisturbed flow of services which the currency is there to provide. The recourse to this ultima ratio was justified only by the fact that Germany was exposed without power of resistance to foreign pressure, and that confidence inside Germany was threatening to give way.

The object of the restrictions, namely the limitation of the demand for credit to what was economically necessary, was quickly attained, especially as the general situation was relieved by the continuance of the Paris negotiations. The gold and foreign exchange stocks of the Reichsbank began once more to mount up. By the end of May the credit demand was once again reduced to dimensions with which the Bank was able to cope without danger. The restrictions became less and less necessary, and by about the middle of June were superfluous.

BILLS IN CIRCULATION AND IN THE HANDS OF THE REICHS-BANK AND OTHER BANKS AND CREDIT INSTITUTIONS

CIRCULATION DES TRAITES ET PORTEFEUILLE DE TRAITES DE LA REICHSBANK ET DES ETABLISSEMENTS DE CREDIT



——— Total circulation of bills
Total de la circulation des traites

——— Bill holdings of the Reichsbank and all institutions publishing interim balance-sheets *
Portefeuille de traites de la Reichsbank et de tous les établissements publiant des bilans intermédiaires *

- - - - - Bill holdings of all institutions publishing interim balance-sheets *
Portefeuille de traites de tous les établissements publiant des bilans intermédiaires *

—.—.— Bill holdings of the Reichsbank
Portefeuille de traites de la Reichsbank

* Including Treasury Bills of the Reich and States down to March 1928. The relatively small amount of Treasury Bills scarcely affects the curve.

* Jusqu'à mars 1928, y compris les bons du Trésor du Reich et des Etats. Le montant relativement peu élevé de bons du Trésor influence la courbe de façon peu sensible seulement.

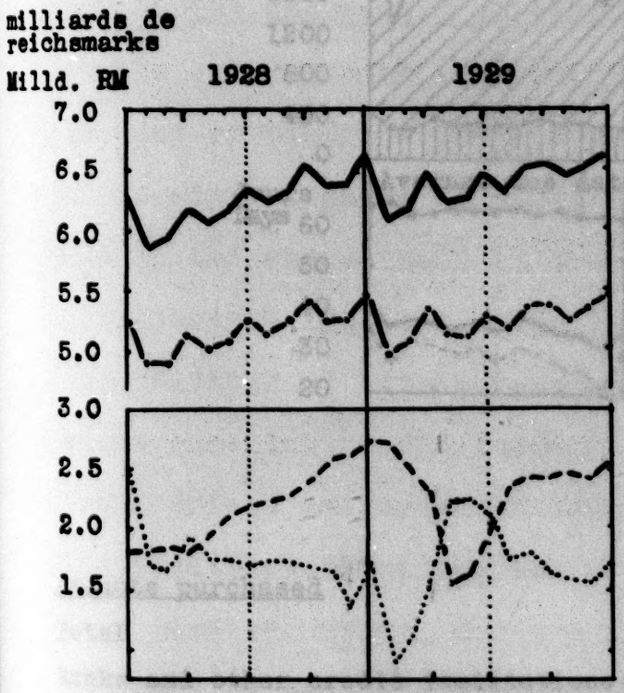
The position of the Reichsbank improved during the latter half of the year to such an extent as to remove any further objections on the part of the Bank to relieving the business community by a reduction of the discount rate. But in view of the difficult conditions in foreign money markets and the heavy short-term indebtedness to foreign countries it was essential to avoid any far-reaching reduction of the margin between the interest rates in Germany and in the principal foreign markets. Under these circumstances it was not possible to meet the urgent requirements of the business community for a relaxation of the interest pressure until November 2, and then only to the extent of a reduction in the rate of ½ per cent. Further reduction, which would have been possible in the light of the easier conditions that were everywhere making themselves felt on foreign markets, was unfortunately impossible owing to the special conditions in Germany, and in particular the continual demand for credit on the part of public bodies.

MOVEMENT OF THE REICHSBANK'S HOLDINGS OF GOLD AND FOREIGN EXCHANGE TOGETHER WITH THE INLAND BILL HOLDINGS OF THE REICHSBANK, THE CIRCULATION OF REICHSBANK AND RENTENBANK NOTES AND THE TOTAL CIRCULATION OF MEDIA OF PAYMENT.

(Position at the end of the month)

DEVELOPPEMENT DE L'ENCAISSE OR ET DU PORTEFEUILLE DE DEVISES AINSI QUE DU PORTEFEUILLE DE TRAITES ALLEMANDES DE LA REICHSBANK, DE LA CIRCULATION DES BILLETS DE LA REICHSBANK ET DE LA RENTENBANK, DU MONTANT TOTAL DE LA CIRCULATION DES MOYENS DE PAIEMENT.

(Situation à la fin du mois)



Total circulation of media of payment
Montant total de la circulation des moyens de paiement

Circulation of Reichsbank and Rentenbank notes
Circulation des billets de la Reichsbank et de la Rentenbank

Gold and foreign exchange holdings
Encaisse or et portefeuille de devises

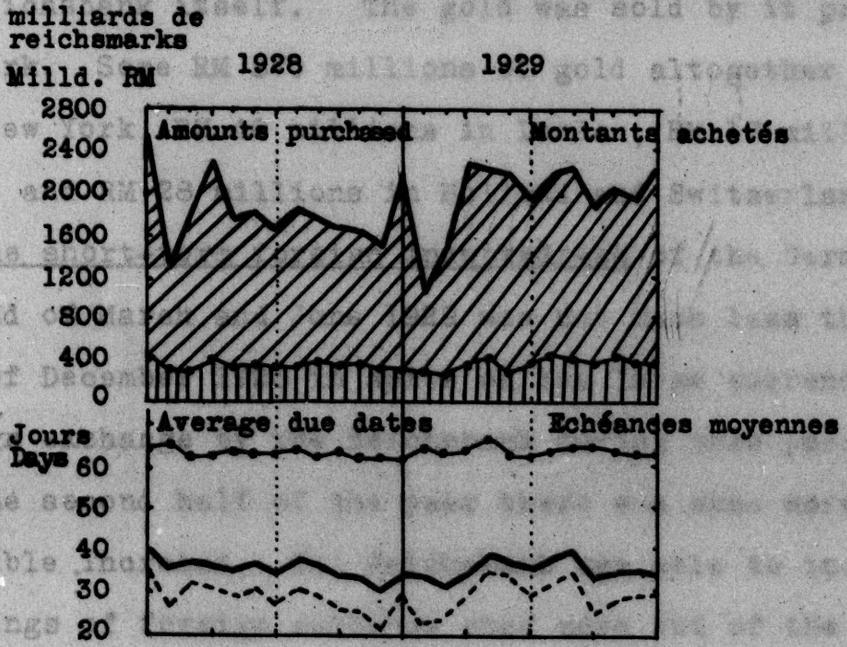
Inland bill holdings (not including Treasury Bills of the Reich)
Portefeuille de traites allemandes (sans les bons du Trésor du Reich)

PURCHASE OF INLAND BILLS BY THE REICHSBANK
(including Treasury Bills of the Reich)

(monthly figures)

ACHAT DE TRAITES ALLEMANDES PAR LA REICHSBANK
(y compris les bons du Trésor du Reich)

(chiffres mensuels)



Amounts purchased		**Montants achetés**
Total		Total
Banks and other credit institutions		Banques et autres établissements de crédit
Bills negotiated direct by trade, industry and agriculture		Commerce, industrie, agriculture (traites achetées directement)
Average due dates		**Echéances moyennes**
Trade, industry and agriculture	—•—	Commerce, industrie, agriculture
Total	——	Total
Banks and other credit institutions	----	Banques et autres établissements de crédit

During the critical weeks in the spring of 1929 the Reichsbank surrendered altogether nearly RM 1½ milliards of gold and foreign exchange. Under the influence of the withdrawals of foreign exchange by German and foreign holders the official quotation of the dollar dropped to gold export point. The necessary consignments of gold were in every case effected by the Reichsbank itself. The gold was sold by it principally in New York. Some RM 870 millions of gold altogether were sold in New York, RM 40 millions in London, RM 17 millions in Paris, and RM 28 millions in Holland and Switzerland.

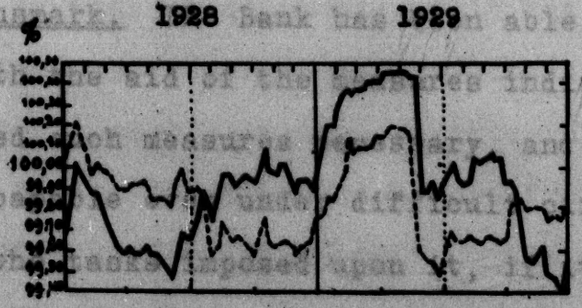
The short-term foreign indebtedness of the German banks at the end of March and June 1929 was not much less than at the end of December 1928 in spite of the large surrenders of foreign exchange by the Reichsbank during this period; and in the second half of the year there was once more a considerable increase. The Reichsbank was able to increase its holdings of foreign exchange once more out of the amounts which came in. The foreign exchange made available by panic offers and sales of accumulated stocks as a result of the credit restrictions was at first taken by the Bank only to a limited extent, and the restraint thus exercised by the Bank helped to strengthen the quotation of the reichsmark. The strengthening of the reichsmark made itself felt especially in the case of sterling, the quotation of which was more than once depressed on the international market.

POUND AND DOLLAR QUOTATIONS ON THE BERLIN BOURSE

(Weekly averages in percentage of parity)

COURS DE LA LIVRE STERLING ET DU DOLLAR A LA BOURSE DE BERLIN

(Moyenne hebdomadaire en % du pair)



Pound ---- **Livre sterling**

Dollar —— **Dollar**

From about the end of May it was possible to import gold from England. If the Reichsbank on occasion intervened to prevent such imports, it did so in order to prevent action by the Bank of England in regard to its discount rate which might be undesirable from the standpoint of the German money market.

The movements of the exchanges during the eventful period of the year under report show that the Reichsbank has been able at all times to protect and maintain the stability of the reichsmark. The Bank has been able to improve its position with the aid of the measures indicated, as and when it considered such measures necessary, and has once more shown that it is capable even under difficult circumstances of fulfilling the tasks imposed upon it, if it is prepared to make energetic use of the powers at its command.

It is most regrettable that there should nevertheless be persons who speak and write of an impending collapse of the currency and endeavour to alarm the public by prophesying a new inflation. Such action is particularly unscrupulous on the part of persons who go about the country protesting without any sense of responsibility against the collection of taxation, and make a living out of such practices.

The difficulties of the capital market increased still further during the year under report. There was a marked decline in the ability of the market to absorb capital issues. The volume of public loans and issues of mortgage bonds contracted; large portions of public issues could not be placed

at all, and the interested parties were obliged, in order to support the quotations, to draw on the market to a large extent without accomplishing their object. Quotations on the stock exchange fell almost uninterruptedly. Mortgage bonds were so little in demand that the placing of mortgages at tolerable interest rates was almost impossible. Industrial concerns were also unable generally speaking to raise capital by the issue of shares or bonds. The rates for money on the German capital market rose continuously: They are still heavier than is tolerable for an industrial country with international connections which is dependent on the formation of capital. The average yield of fixed interest-bearing securities at 8 per cent or less quoted on the Berlin stock exchange rose from 8.02 % at the end of 1928 to 8.42 % at the end of 1929. The financial difficulties of the Reich and of a large number of German municipalities at the end of the year showed that the highly precarious system of meeting long-term capital commitments over considerable periods of time by the provisional contraction of short-term debts has reached a point at which it is no longer practicable.

In proportion as foreign capital ceased to be available in the form of long-term loans, the dependence of German industrial concerns on foreign industrial undertakings increased. The purchase by foreign countries of German shares was replaced to an increasing extent by the acquisition by foreign countries of contractual interests in German undertakings. The development in question makes it even more difficult than in previous years

to give a general account of the foreign capital which has undoubtedly found its way to a considerable extent into Germany during the past year.

The means at the disposal of the Reichsbank as the currency institution financing short-term credits are in the nature of things limited, so far as support of the capital market is concerned; and the extension of the list of securities admitted as collateral for loans (though not inconsiderable in itself) and other facilities accorded in the case of loans and advances have necessarily been of little practical significance.

In connection with the proposed reparation settlement there has been discussion of changes in the Reichsbank Law. The changes proposed take the position created by The Hague Agreement into account, while certain other provisions of the Law are adjusted to requirements which have in the interval made themselves felt. The fundamental conceptions of the present law are not affected, and in particular the independence of the Reichsbank is left untouched. Special interest attaches to the new proposals with regard to the distribution of profits, which are included in the other provisions for amendment to be presented to the General Meeting for its approval. The arrangement contemplated in the Dawes Plan and incorporated in § 37 of the Bank Law of August 31, 1924 was based on the assumption that it would be desirable to increase the capital of the Reichsbank to RM 400 millions or at any rate to an effective amount of RM 300 millions, and to draw on the foreign capital market

for the purpose. Neither step has been necessary. The Reichsbank has been able to manage hitherto with the capital which it has at present after concentration of the old shares, taking over of the shares of the Golddiskontbank, and so on. While therefore it appears only reasonable, in connection with the imposition on the Reich of extremely heavy commitments in connection with the reparation liabilities, to modify the obviously unfair distribution of profits based on assumption which are incorrect, it was not possible to ask the shareholders to agree to such a change without the offer of an appropriate equivalent. The improvement in the position of the Reich consists in an arrangement for the modification of the proportions of the distribution of profits, under which (after payment of a minimum dividend of 8 per cent to the shareholders) the Reich is to receive 75 per cent and the shareholders 25 per cent of the first 25 millions, and the Reich 90 per cent and the shareholders 10 per cent of the next 10 millions, and the Reich 95 per cent and the shareholders 5 per cent of anything that remains. The General Meeting will be asked to agree to this proposal subject to a provision that the shareholders are to be entitled out of the reserves of the Bank to free rights in respect of each old share of RM 100 to a £ 10 Golddiskontbank share and a new Reichsbank share of RM 100, both cum div. as from January 1, 1930.

The capital of the Deutsche Golddiskontbank will be paid up in full before this arrangement takes effect, so that it will

in future have at its disposal a share capital of approximately RM 200 millions and reserves of approximately RM 50 millions. These resources offer a serviceable basis for the resumption and extension of its activities in the financing of exports, and justify the expectation that, even after the abolition which the new Bank Law will involve of the present privileged position in regard to taxation, of the cumulative dividend, and of the share of the Reich in the profits, a reasonable return on the share capital will be earned. It is proposed in any case to begin once more the distribution of a dividend for the year 1930.

The total transactions of the Reichsbank in 1929 amounted (as shown in Annex I) to

		1928
Reichsbank Head Office	RM 500,986.8 millions	(RM 414,908.6 millions)
Reichsbank Branches	" 410,484.5 "	(" 404,997.4 ")
Total	RM 911,471.3 millions	(RM 819,906.0 millions)

The unencumbered gold reserve of the Reichsbank amounted

	to	of which there was deposited abroad
as at December 31, 1928	RM 2,729,331,720.74	RM 85,626,277.09
as at December 31, 1929	" 2,283,116,896.43	" 149,788,285.43

On December 31, 1929, this reserve included bullion and foreign gold coin amounting to RM 1,633,309,436.43 (1928: RM 2,153,360,570.74), calculated at the rate of RM 1,392 to the pound of fine gold.

The movements of the reserve during the year under report will be seen in Annex VII. Altogether in 1929 RM 556.6 millions'

worth of gold was purchased abroad or taken in exchange for foreign exchange holdings, RM 72.1 millions being in the form of pre-war gold coins of the Reich; RM 1.4 millions of foreign gold coin and bullion came in to the Bank as a result of transactions in Germany. Further, RM 1.8 millions' worth of pre-war gold coins of the Reich reached the coffers of the Bank through the ordinary channels of payment transactions. RM 1 milliard of gold was sold again abroad for the regulation of exchange rates, and RM 6 millions were released in Germany for industrial purposes etc. There was thus a decrease in the total gold reserve of the Bank of RM 446.2 millions.

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The foreign exchange employed according to § 28 of the Bank Law as gold cover against banknotes in circulation amounted on December 31, 1928 to RM 155,273,000.--
on December 31, 1929 to " 403,587,000.--

lver lding

The Reichsbank held the following quantities of silver bars and silver coins withdrawn from circulation:

on January 1, 1929	RM 146,898.96	1928:
purchased during the year	" 4,805,032.12	(RM 6,228,911.09)
Total	RM 4,951,931.08	
sold during the year	" 4,619,543.53	(" 6,891,164.33)
so that the holding of the Bank on December 31, 1929 amounted to	RM 332,387.55.	

ck of
11 coins

At the end of the year under report the coffers of the Reichsbank contained RM 89,111,113.94 of small coins as against RM 81,766,439.40 at the end of the preceding year; the highest figure was reached on May 23, 1929, with RM 154,164,000, and the lowest on December 31, 1929, with RM 89,111,000.

The 50-reichspfennig pieces of aluminium bronze were declared to be no longer legal tender as from December 1, 1929 by a decree of the Finance Minister of the Reich of October 5, 1929 (Reichsgesetzblatt I page 151). The period during which the coins may be presented for redemption runs until November 30, 1931.

The amount of small coins in circulation at the end of the year (exclusive of the reserves with the Reichsbank and the Mint) was RM 994.0 millions (end of 1928: RM 964.6 millions). This total was made up as follows:

Silver coins	on December 31, 1929	on December 31, 1928
RM 5	RM 279.3 millions	(RM 219.1 millions)
" 3	" 152.1 "	(" 148.5 ")
" 2	" 171.4 "	(" 185.8 ")
" 1	" 234.0 "	(" 255.1 ")
Nickel, bronze and copper coins		
Rpf 50 (nickel)	RM 57.8 millions	(RM 42.8 millions)
" 50 (aluminium bronze)	" 5.4 "	(" 24.4 ")
" 10	" 60.6 "	(" 56.5 ")
" 5	" 26.5 "	(" 26.4 ")
" 2 not including pre-war coins	" 3.0 "	(" 2.6 ")
" 1 not including pre-war coins	" 3.9 "	(" 3.4 ")
	RM 994.0 millions	(RM 964.6 millions)

At the end of the year the reserve at the mint was RM 3.7 millions (end of 1928: RM 2.8 millions).

Stock of Rentenbank notes

The holding of Rentenbank notes of the Reichsbank amounted as at December 31, 1928 to RM 77,471,316 •

as at December 31, 1929 to RM 83,681,060.

The figure as at the end of the year contains RM 3,982,518 of Rentenbank notes not eligible for circulation, which are held separately from the cash holdings; it further includes RM 70,082,498 of Rentenbank notes placed under earmark, which the Reichsbank has withdrawn from circulation since January 1928, in the amount admissible under its claim on the Rentenbank postponed by agreement until the final liquidation of Rentenbank notes in circulation (see the Annual Report of the Bank for 1927 page 14). Both items are shown in the balance sheet under "Miscellaneous assets"(14 e and/or c).

Rentenbank notes for a value of RM 396.7 millions (end of 1928: RM 529.9 millions) were in circulation at the close of the year, exclusive of the notes held at the Reichsbank. The notes in circulation were distributed as follows:

Rentenbank notes for	on December 31,1929	on December 31, 1928
Rent. M 1,000	RM 32.3 millions	(RM 2.9 millions)
" 500	" 1.0 "	(" 1.5 ")
" 100	" 113.8 "	(" 95.3 ")
" 50	" 182.9 "	(" 201.1 ")
" 10	" 48.8 "	(" 148.6 ")
" 5	" 12.5 "	(" 75.1 ")
" 2	" 1.5 "	(" 1.5 ")
" 1	" 3.9 "	(" 3.9 ")
	RM 396.7 millions	(RM 529.9 millions)

lls Treasury lls of the ich

Treasury bills issued by the Reich, which the Bank was authorised to purchase under the Law of July 8, 1926 modifying the Bank Law (Reichsgesetzblatt II page 355) were taken over by the Reich as follows:

holding on January 1, 1929	RM	51,090,000	1928:
purchased	"	1,413,760,000	(RM 139,420,000)
	RM	1,464,850,000	
redeemed	"	1,224,160,000	(RM 88,330,000)
holding on December 31,1929	RM	240,690,000	

which was the highest figure for the year.

Other lls and eques

According to the weekly returns of the Bank (see Annex VII) the other bill and cheque holdings were as follows:

as at December 31, 1928	RM	2,627,357,000
as at December 31, 1929	"	2,607,703,000

The proportion to the total holding of bills with two signatures eligible for discount in conformity with Article 21, figure 2, of the Bank Law was 15.6 per cent on December 31, 1929, as against 13.4 per cent at the end of the previous year.

Inland lls and eques

The following detailed information may be given with regard to the movements of the commercial bill holdings:

Inland bills and cheques (not including those taken over by the Reichsbank from the Golddiskontbank) were purchased during 1929 as follows:

3,381,216	town bills and cheques (Platzwechsel und -schecks)	for RM 9,259,310,137.94
(3,443,373 in 1928)		(" 7,044,462,994.06 in 1928)
10,240,128	country bills and cheques for collection (Versand- und Einzugswechsel und -schecks)	for RM 13,576,333,857.17
(10,629,253 in 1928)		(" 14,013,823,460.61 in 1928)
total 13,621,344		RM 22,835,643,995.11
(14,072,626 in 1928)		(" 21,058,286,454.67 in 1928)

The following were withdrawn:

3,413,500	town bills and cheques (Platzwechsel und -schecks)	for RM 9,385,573,699.89
(3,529,980 in 1928)		(" 7,221,914,646.11 in 1928)
10,364,067	country bills and cheques for collection (Versand- und Einzugswechsel und -schecks)	for RM 13,509,151,622.04
(10,808,919 in 1928)		(" 14,544,344,791.92 in 1928)
total 13,777,567		RM 22,894,725,321.93
(14,338,899 in 1928)		(" 21,766,259,438.03 in 1928)

239,219 cheques on Germany were purchased for RM 163,662,811.70 (1928: 279,815 cheques for RM 191,553,568.05).

On December 31, 1929 the holdings of inland bills and cheques amounted to RM 2,202,069,774.90 (end of 1928: RM 2,261,151,101.72).

Of this amount there fall due:

1930 (in millions of RM)		1929 (in millions of RM)	
January 1 - 15	975.3 = 44 %	(January 1 - 15	977.1 = 43 %)
January 16 - 31	427.6 = 20 %	(January 16 - 31	402.7 = 18 %)
February	552.3 = 25 %	(February	599.6 = 27 %)
March	246.9 = 11 %	(March	281.8 = 12 %)

The average amount of town bills purchased was RM 2,744 (1928: RM 2,050), and that of town cheques RM 891 (1928: RM 778). The average maturity of the town bills purchased was 45 days (1928: 48 days). The number of town bills of RM 100 and smaller amounts purchased was 285,904 (1928: 267,983).

The average amount of country bills purchased was RM 1,341 (1928: 1,335), and that of country cheques RM 676 (1928: RM 680). The average maturity of the country bills purchased was 31 days (1928: 29 days). The number of country bills of RM 100 and smaller amounts purchased was 1,483,122 (1928: 1,425,614).

Bills taken over from the Golddiskontbank

Of the bills taken over from the Golddiskontbank the holdings of the Reichsbank on January 1, 1929 amounted

to	RM 10,707,334.45	1928:
and purchases amounted to	" 45,815,283.27	(RM 59,885,157.20)
	RM 56,522,617.72	
of which there were negotiated	" 46,113,144.91	(RM 67,104,244.87)
so that the Reichsbank holdings of Golddiskontbank bills on December 31, 1929 amounted in value to	RM 10,409,472.81.	

Foreign bills and cheques

The holdings of foreign bills and cheques amounted on January 1, 1929 to:

22,576	RM	371,200,990.80	1928:
520,552 were bought	"	3,561,521,859.--	(RM 3,491,190,635.94)
543,128	RM	3,932,722,849.80	
and 519,857 negotiated	"	3,536,269,507.54	(RM 3,275,270,841.50)

so that 23,271 of a value of RM 396,453,342.26 remained on December 31, 1929.

Total purchases of bills and cheques

The total for all bills and cheques purchased during the year under report is as follows:

Inland bills and cheques	RM	22,835,643,995.11	
Foreign bills and cheques	"	3,561,521,859.--	
Golddiskontbank bills taken over by the Reichsbank	"	45,815,283.27	1928:
	RM	26,442,981,137.38	(RM 24,609,362,247.81)
Treasury bills of the Reich	"	1,413,760,000.--	(" 139,420,000.--)
total	RM	27,856,741,137.38	(RM 24,748,782,247.81)

The profits on these bills and cheques amounted to RM 148,029,646.51 (1928: RM 138,292,563.28).

Inland bills and cheques not redeemed when due

The following bills and cheques were returned to the sellers owing to failure to redeem the whole or part of their amount, or were settled by intervention: 532,747 (1928: 480,987) for RM 179,018,204 (1928: RM 160,985,041). These bills and cheques represent the following percentages of the total number presented for collection: of the number 3.9 per cent (1928: 3.3

per cent); of the value 0.8 per cent (1928: 0.7 per cent). The documents returned to the sellers or regulated by intervention included 820 cheques (1928: 854) for RM 465,621 (1928: RM 463,844).

Redemption of bills

In the course of 1929 the following inland bills and cheques (including drafts and cheques collected for customers) were redeemed upon maturity to the whole or part of their amount: 13,522,831 (1928: 14,099,345) for approximately RM 24,331,422,000 (1928: RM 23,366,214,000); of this total 5,171,729 bills and cheques (1928: 5,362,506) for approximately RM 2,296,663,000 (1928: RM 2,518,236,000), or 9.4 per cent (1928: 10.8 per cent), were redeemed in cash, while approximately RM 22,034,759,000 (1928: RM 20,847,978,000), or 90.6 per cent (1928: 89.2 per cent) were cleared without cash changing hands.

lection drafts cheques cus- ers

Customers' drafts and cheques for collection on banking centres and other places for collection numbered 278,011 for a value of

RM 1,615,714,813.70 (1928: 241,433 for a value of RM 1,760,939,943.15)

The average amount of the drafts and cheques in question worked out at RM 5,812 (1928: RM 7,294).

lection reparation vouchers and drafts

The collection by the Reichsbank of reparation vouchers and drafts issued for deliveries in kind and redeemable by the Agent General for Reparation Payments was effected as follows:

1929:	209 reparation vouchers for	RM	89,051,711.75
	20,658 reparation drafts for	"	908,071,869.07
	20,867 reparation payments for	RM	997,123,580.82
as against 1928:	221 reparation vouchers for	"	90,344,078.80
	16,666 reparation drafts for	"	689,002,656.20
	16,887 reparation payments for	RM	779,346,735.--

The collection and remission of the amounts was effected free of charge.

The rise in the total amount is due to the further increase in the reparation annuity with the resulting higher sums available for deliveries in kind. The number of drafts has increased for the same reason, the number of German firms engaged in such deliveries having also increased. Since September 1, 1929, and especially from November onwards, a decline in the number and amount of the vouchers and drafts presented is to be noted, the reason being that under the Young Plan the amount available for deliveries in kind in the first year, including reserves brought forward from the previous year, is only RM 750 millions.

The amounts made available by the Agent General for Reparation Payments for meeting other obligations under the Dawes Plan (for example, the service of the German External Loan 1924, payments in respect of the Reparation Recovery Acts, cash transfers, etc.), the foreign exchange for which (together with that required to strengthen the credit balances of the Agent General abroad) was purchased through the medium of the Reichsbank, are not included in the above amounts.

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llateral

The following loans against collateral (Lombards) are recorded:

On January 1, 1929	RM	176,069,400	1928:	
123,643 new loans	"	11,321,510,300	(RM	6,345,216,200)
	RM	11,497,579,700		
102,760 loans repaid	"	11,246,949,800	("	6,247,466,500)
leaving on December 31, 1929	RM	250,629,900		

The number of collateral certificates (Pfandscheine) was:

On January 1, 1929	2,931 certificates	1928:	
to which were added	1,619 "		(1,400)
	4,550 "		
of which there were paid off	1,379 "		(1,000)
leaving as at December 31,1929	3,171 "		

Profits on loan transactions amounted to RM 7,346,093.13 (1928: RM 3,907,054.42).

The fluctuations in the loans account may be seen from Annex VII.

The collateral in the case of loans outstanding at the end of the year was as follows:

			1928:	
Gold and silver	RM	1,200	(RM	800)
Securities	"	166,667,400	("	30,358,100)
Bills	"	32,877,500	("	91,171,100)
Goods	"	1,169,900	("	2,895,800)
Long-term bonds of the Reich	"	27,434,200	("	18,909,000)
Treasury bills of the Reich	"	22,479,700	("	32,734,600).

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The balance-sheet of December 31, 1929 shows RM 9,778,703.13 of claims fallen due but unpaid (end of 1928: RM 8,469,191.27).

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The Bank rates of interest during 1929 were as follows:

	Discounts	Loans against collateral
January 1 - 11	7 %	8 %
January 12 - April 24	6½ %	7½ %
April 25 - November 1	7½ %	8½ %
November 2 - December 31	7 %	8 %

making an average for the year of 7.117 per cent for discounts and 8.117 per cent for loans against collateral (as against 7 per cent and 8 per cent for the previous year).

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The Bank's own holding of securities amounted on December 31, 1929 to RM 93,291,626.23 (end of 1928: RM 93,349,125.97).

Profits on the same were RM 806,634.37

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In May of the year under report, the Reich issued a 7 per cent loan with tax privileges. The loan was placed through the members and participants of the Reich loan consortium, who acted as subscription offices against payment of commission. The head office and branch offices of the Reichsbank were among the subscription offices for the loan. The commission paid to the Reichsbank for the subscriptions which it received was credited under the heading "Commissions".

Towards the end of the year under report a consortium headed by the Reichsbank took over from the Reich non-interest-bearing Treasury certificates for RM 350 millions, maturing from April 15 to October 15, 1930, the amortisation of which is regulated by the law of December 24, 1929 (Reichsgesetzblatt II page 759).

The conversion, which was begun at the end of 1928, of the revalorisable mortgage bonds (Pfandbriefe) of certain land banks (Landschaften) into "liquidation mortgage bonds" was practically terminated during the year under report. The commission to which the Reichsbank is entitled as receiving office for this transaction will be credited in 1930 under the heading "Commissions".

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The credit balances with correspondents of the Bank were:

on January 1,1929	RM	155,781,589.33	1928:
remittances	"	9,536,518,372.68	(RM 6,855,306,069.10)
	RM	9,692,299,962.01	
of which there were collected	"	9,279,065,561.46	(" 7,015,347,385.92)
leaving on December 31,1929	RM	413,234,400.55	

The turnover in business done with correspondents continued to represent the greater part of the foreign exchange transactions of the Bank shown in Annex I.

dings of ign notes

At the close of the year the Reichsbank held foreign bank notes to the value of RM 2,544,344.13, as compared with RM 1,261,644.89 at the beginning of the year.

The turnover of foreign notes (see Annex I) totals RM 582.5 millions (1928: RM 498.6 millions). It was mostly in respect of francs received and again issued by the Reichsbank branch offices in the Saar.

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The claim of the Reichsbank on the Reich under the agreement between the two (see Report for 1924, page 13 of the English text) has been reduced by the repayment of the annual amount to sinking fund, and is shown in the balance-sheet as RM 108,913,950.86 (1928: RM 118,083,460.86).

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The claim of the Reichsbank against the Rentenbank under § 11, 4 of the Rentenbank Liquidation Law (Reichsgesetzblatt 1924, II page 252), which was postponed under an agreement concluded between the Reich, the Rentenbank and the Reichsbank until such time as the transfers to the sinking fund are completed, is entered in the balance-sheet for the same amount as before, i.e. RM 70,082,498.29.

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culation

According to the weekly returns, the circulation of Reichsbank notes was:

on December 31, 1928	RM	4,930,069,000
on December 31, 1929	"	5,043,677,000

The highest figure reached was that at the end of the year, the lowest figure being RM 3,809,254,000 on January 23, 1929; RM 4,403,358,000 were on an average in circulation during the period under report. The movements of the circulation from week to week are shown in Annex VII.

An analysis of the note circulation according to the various denominations is contained in Annex II.

The following damaged notes were withdrawn from circulation and destroyed during the year under report: 93.1 million notes to the value of RM 2,068.7 millions (1928: 102.3 million notes to the value of RM 1,803.5 millions), for the following note values:

Bank notes			1928:	
RM 1,000	RM 91.0	millions	(RM 59.0	millions)
" 100	" 346.7	"	(" 197.9	")
" 50	" 553.8	"	(" 317.5	")
" 20	" 584.8	"	(" 579.7	")
" 10	" 492.4	"	(" 649.4	")

103.2 million new notes were printed to the value of RM 2,034.4 millions (1928: 135.4 million notes to the value of RM 2,538.1 millions).

The new notes printed were for the following note values:

Bank notes			1928:	
RM 1,000	RM -	millions	(RM 90.0	millions)
" 100	" 217.9	"	(" 311.4	")
" 50	" 644.1	"	(" 248.2	")
" 20	" 581.3	"	(" 1,233.2	")
" 10	" 591.1	"	(" 655.3	")

The cost of printing amounted to RM 4,602,422.55 (1928: RM 5,996,025).

The note cover prescribed in § 28 of the Bank Law was:

on December 31, 1928: 55.4 % (gold) and 58.5 % (gold and foreign exchange)

on December 31, 1929: 45.3 % (gold) and 53.3 % (gold and foreign exchange)

The highest point reached by the percentages of the note cover was on January 23,1929, when they were 71.6 and 75.9 per cent respectively; the lowest point was reached on May 31, 1929 in the case of the gold cover (38.3 per cent) and on May 7, 1929 in the case of the gold and foreign exchange cover (41.0 per cent).

The growth in the circulation of all media of payment in Germany during the year under report is shown by the following table. There were in circulation:

(Amounts in millions of RM)

At the end of the month	Reichsbank notes	Notes of private banks	Rentenbank notes	Small coin	Total
January	4,453.9	181.9	512.8	933.6	6,082.2
February	4,553.0	183.5	508.2	949.8	6,194.5
March	4,822.0	188.7	503.6	966.8	6,481.1
April	4,631.5	185.1	489.1	948.3	6,254.0
May	4,606.4	177.9	490.8	979.9	6,255.0
June	4,838.6	180.5	460.4	976.0	6,455.5
July	4,725.5	179.2	434.1	966.9	6,305.7
August	4,897.3	181.9	431.7	982.9	6,493.8
September	4,914.3	181.1	432.7	988.3	6,516.4
October	4,833.0	183.3	407.1	989.0	6,412.4
November	4,916.5	182.6	394.1	988.0	6,481.2
December	5,043.7	183.9	396.7	994.0	6,618.3

For the growth in the Reichsbank's holdings of deposits (fremde Gelder) see the item "Other day-to-day liabilities" indicated in the table of weekly returns forming Annex VII.

The giro clearing turnover (incomings and outgoings), details of which are given below, was distributed as follows over the individual calendar months of the year under report:

	Giro turnover (in millions of RM)		Working day average of the Giro turnover expressed in percentages of the annual average which is taken as 100	
	1929	1928	1929	1928
January	64,100	58,095	99.8	98.4
February	55,918	51,988	94.4	91.6
March	58,868	57,955	99.3	94.6
April	71,833	55,955	116.4	112.1
May	65,950	56,656	106.8	99.8
June	58,084	57,315	94.1	97.1
July	70,896	61,982	106.3	105.0
August	61,801	58,021	92.7	94.7
September	58,247	54,783	94.4	96.5
October	66,221	63,603	99.3	103.8
November	58,704	57,543	95.1	97.5
December	60,033	60,830	101.3	111.6
average	62,555	57,894	100.0	100.0

The total giro credit balances on January 1, 1929 were RM 663,310,465.42

The incomings on giro account during 1929 were as follows:

Cash payments	RM 27,902,801,104.08	
Customers' accounts	114,355,380,625.82	
Local transfers	151,041,173,141.00	
Distance transfers	82,007,281,811.42	RM 375,306,636,682.32
	(1928:	" 347,387,068,854.57)
Total		RM 375,969,947,147.74

The outgoings were:

Cash payments	RM 30,130,663,925.32		
Customers' accounts	114,726,224,367.97		
Local transfers	151,041,173,141.00		
Distance transfers	79,450,273,645.09	RM 375,348,335,079.38	
	(1928:	" 347,339,262,349.61)	
	leaving	RM 621,612,068.36	

as the balance outstanding on December 31, 1929.

The following were the percentages of the total: 1928:

Cash incoming and outgoings	7.7 %	(7.9 %)
Customers' accounts	30.5 %	(28.6 %)
Local transfers	40.3 %	(41.7 %)
Distance transfers	21.5 %	(21.8 %)
	100.0 %	(100.0 %)

Thus 92.3 per cent of the total giro business of the year 1929 was effected without cash changing hands (1928: 92.1 per cent).

In the total giro business of the year 1929, the following were the numbers of :

	Cr.	Dr.	1928: Cr.	Dr.
Cash payments	1,878,493	1,827,043	(1,875,925)	(1,871,391)
Customers' accounts	3,399,652	3,977,754	(3,445,594)	(3,907,475)
Local transfers	7,133,383	4,920,572	(7,325,494)	(5,157,739)
Distance transfers	7,818,695	7,457,121	(7,021,198)	(6,685,249)
Total	20,230,223	18,182,490	(19,668,211)	(17,621,854)

The average amount of each of the following items was:

		1928:
Cash incomings	RM 14,854	(RM 14,030)
Cash outgoings	" 16,491	(" 15,508)
Credits to account	" 33,637	(" 28,842)
Debits to account	" 28,842	(" 25,358)
Local transfer credits	" 21,174	(" 19,770)
Distance transfer credits	" 10,489	(" 10,948)

The cover to be held under § 35 of the Bank Law for day-to-day liabilities amounted on December 31, 1928 to 102.5 per cent, on December 31, 1929 to 98.1 per cent, and on an average for the year 1929 to 116.4 per cent (1928: 93.1 per cent).

Tele- phic ness

Telegraphic giro transfers were effected in Germany during the year under report as follows:

	Number	RM	1928: Number	RM
Head office	31,909	6,119,610,586.40	(29,796	5,664,554,651.73)
Branch offices	77,618	7,425,765,787.80	(61,428	5,326,711,179.27)
Total	109,527	13,545,376,374.20	(91,224	10,991,265,831.00)

This is equivalent to 17.0 per cent (1928: 14.8 per cent) of the distance transfers effected on behalf of customers.

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Giro transfers to foreign countries were transmitted during the year under report as follows:

18,490 to a value of approximately RM 50 millions

(1928: 11,873 to a value of approximately RM 46 millions).

Giro transfers from foreign countries were effected as follows:

4,286 to a value of approximately RM 49 millions

(1928: 4,115 to a value of approximately RM 32 millions).

During the year under report Russia, Bulgaria and Rumania joined the countries adhering to the system of international giro business.

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Receipts and payments in giro business for the account of the Reich and the Federal States amounted to

		1928:
For the Reich	RM 161,854,979,396.25	(RM 145,964,831,421.35)
For the Federal States	" 58,048,204,723.56	(" 46,448,828,160.45)
	RM 219,903,184,119.81	(RM 192,413,659,581.80)

The credit balance of these accounts amounted on December 31, 1929 to RM 118,379,660.02 (at the end of 1928: RM 183,068,692.91).

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In 1929 the following amounts were received from non-holders of accounts on behalf of giro customers in other towns:

		1928:
In cash	RM 2,537,826,502.75	(RM 2,444,388,353.06)
Plus distance transfers between giro customers at different bank centres	" 79,450,273,645.09	(" 74,410,272,436.25)
Total of distance transfers	RM 81,988,100,147.84	(RM 76,854,660,789.31)
Plus balance as at January 1, 1929	" 152,740,072.33	
making	RM 82,140,840,220.17	
Of this sum there was credited in 1929	" 82,007,281,811.42	(RM 76,865,529,992.33)
leaving at the end of the year a balance of outstanding distance transfers of	RM 133,558,408.75	

which is included in item 8 of the Bank's liabilities (see Annex IV, balance-sheet).

The number of giro account holders at the end of the year was:

		1928:
at the Reichsbank Head Office	2,598	(2,654)
at the Reichsbank Branch Offices	40,424	(40,974)
Total	43,022	(43,628)

Orders to pay on other branches were transmitted to the number of 1,212 totalling RM 16,279,101.41 (1928: RM 18,250,668.73).

At request 19,308 (1928: 21,910) Reichsbank cheques were confirmed in giro business for a total amount of RM 1,810.6 millions (1928: RM 2,195.3 millions).

The total sums cleared at the 71 Clearing Offices (Abrechnungsstellen) in 1929 amounted to RM 126.2 milliards (1928: 70 Clearing Offices with RM 121.0 milliards). The number of drafts etc. cleared was 46,253,836 (1928: 44,655,053) and the average amount of each was RM 2,729 (1928 RM 2,710). The number of institutions acting in conjunction with the Clearing Offices (including the Reichsbank branches concerned) was 768 at the end of the year (1928: 844).

The reduction in the number of participants is mainly due to the bank mergers effected during the year under report.

The cheques presented at the Country Cheque Clearing Office (Scheckaustauschstelle) in Berlin in 1929 amounted to RM 27,168,800 (1928: RM 34,853,500). The number cleared was 68,236 (1928: 109,341) and the average amount of each was

RM 398 (1928: RM 319). The number of participants at the end of the year was 20 (1928: 22).

In places where there was no Clearing Office the Reichsbank branches cleared 9,426,536 town bills and cheques (1928: 7,754,821) for an amount of RM 4.49 milliards (1928: RM 3.88 milliards).

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The Rentenmark Sinking Fund established at the Reichsbank in virtue of § 6 of the Rentenmark Liquidation Law of August 30, 1924, received the annual transfer from the Reich during the year under report of RM 60 millions as in previous years in satisfaction of the obligations devolving on the Reich under § 7b of the Law in question. In addition, the share of the Reich under § 7c in the profits of the Reichsbank for the year 1928 in the amount of RM 5.2 millions (1927: RM 5.5 millions) was also paid into the Fund. The interest payments by the owners of land subjected to the agricultural mortgage charge in favour of the Rentenbank brought in RM 93.4 millions (1928: RM 84.2 millions) in the year under report, of which RM 9.5 millions represent interest in arrears of the previous year. In accordance with § 9 of the above-mentioned Law, RM 7.8 millions in arrears from the previous year together with RM 23.9 millions of the 1929 incomings (1928: RM 17.2 millions), making RM 31.7 millions, were set aside and placed at the disposal of the Rentenbank-Kreditanstalt. The balance of RM 1.1 millions required to make up RM 25 millions for 1929 was transferred to the Rentenbank-Kreditanstalt in January 1930. The total amount received by the Rentenmark Sinking Fund in respect of the

agricultural mortgage charge was therefore RM 61.7 millions (1928: RM 67.0 millions). These sums were devoted in the prescribed manner to the destruction of Rentenbank notes, so that RM 126.9 millions in all of such notes were redeemed during the year under report (1928: RM 132.5 millions).

sited rities

The number of deposits of securities with the Bank was:

On January 1, 1929	58,892	1928:
Added in the course of 1929	25,665	(21,362)
	84,557	
There were withdrawn	24,058	(29,927)
leaving on December 31, 1929	60,499	

The number of the different forms of securities on December 31, 1929 was 3,369 (1928: 3,281). Interest and profits on the same to the amount of RM 48,553,990.28 (1928: RM 47,560,452.10) were collected in the course of the year.

Bank charges for deposit of these securities and for the purchase and sale of same during 1929 amounted to RM 599,065.08 (1928: RM 621,194.76).

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Of Trustee Securities deposited with the Bank, that is to say securities belonging to the estate of a ward and subject to the control of the Court of Chancery (Vormundschaftsgericht) in accordance with § 1,814 of the Civil Code (Bürgerliches Gesetzbuch), there were at the various branches of the Reichsbank

On January 1, 1929	613 deposits		1928:
There were added in the course of the year 1929	37 "		(40)
making	650 deposits		
There were returned	102 "		(164)
leaving on December 31, 1929	548 deposits		

rities safe- ping

Of securities held in safe-keeping with the Bank:

There were on January 1, 1929	985 deposits		1928:
There have been added	703 "		(390)
	1,688 deposits		
There were withdrawn	655 "		(366)
leaving deposited on December 31, 1929	1,033 deposits		

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The value of the premises of the Bank is shown in the balance-sheet unchanged as RM 30,000,000.

Rents received for premises and dwellings leased totalled RM 2,596,781.19 (1928: RM 2,427,301.89).

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The total costs of management were RM 88,970,992.34 (1928: RM 87,557,087.84)

Of which there were recovered (see figure 8a of the calculation of profits in the profit and loss account, Annex III)	" 576,815,86	(" 509,688.23)
Making the effective total for 1929	RM 88,394,176.48	(RM 87,047,399.61)

The increase in the costs of administration is almost exclusively due to increased expenditure for postage, etc. which the Reichsbank has incurred since the autumn of 1928 in the interests of its giro business.

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The balance sheet has been drawn up in accordance with the provisions of § 36 of the Bank Law and § 9 of the Statutes of the Bank (see Annex IV).

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The legal reserve fund on December 31, 1928 was RM 48,797,445.29

To this 20 % of the net profit for 1929 was added in accordance with § 37 of the Bank Law " 5,117,778.64

Leaving on December 31, 1929 RM 53,915,223.93

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The "del credere" fund is increased by RM 15 millions to RM 90 millions.

The reserve funds for printing new bank notes and for new budilings remain unchanged.

RM 31 millions were assigned to a special reserve fund for the purpose of increasing the original capital.

The special reserve fund for future payment of dividends receives the balance of undistributed profits amounting to RM 0.4 million, which brings the total of this fund up to RM 46.2 millions.

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The gross profit for the year 1929 (as shown in Annex III) totals RM 170.2 millions as against RM 157.7 millions in the previous year. The credit transactions of the Bank have resulted in larger earnings owing to the higher rates of interest obtaining on an average and to increased turnover. The details of the principal items making up the gross profit are the proceeds from the discount of bills amounting to RM 148.0 millions (1928: RM 138.3 millions) and loans against collateral amounting to RM 7.3 millions (1928: RM 3.9 millions).

The profits "from the purchase and sale of precious metals" and "on securities" have fallen as compared with 1928.

The expenditure amounted to RM 144.7 millions (1928: RM 132.3 millions); of this amount, as already mentioned, RM 89.0 millions (1928: RM 87.6 millions) were for costs of administration, RM 4.6 millions (1928: RM 6.0 millions) for the printing of new bank notes, RM 5.1 millions (1928: RM 8.7 millions out of the reserve for new buildings) for building purposes, and a total of RM 46 millions for reserves viz., for "del credere" fund and increase of foreign capital (1928: RM 38.7 millions total reserves).

RM 25.5 millions (1928: RM 25.4 millions) thus remain as net profit. It is proposed to distribute this amount as follows in accordance with § 37 of the Bank Law: 20 %, i.e., RM 5.1 millions as in the previous year to the legal reserve fund, and RM 5.3 millions (1928: RM 5.2 millions) to the Reich, the latter sum being used in accordance with § 7 of the Rentenbank Liquidation Law for the redemption of Rentenbank notes in circulation. There remain for the shareholders RM 15.1 millions as in the previous year, which again allows of the distribution of a dividend of 12 per cent on the original paid-up capital of RM 122,788,100, while the balance of RM 0.4 million (1928: RM 0.3 million) is assigned to the special reserve fund for future payments of dividend.

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The original paid-up capital of the Reichsbank remains unchanged at RM 122,788,100.

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The shareholders of the Bank were entered in the books of the Bank as follows:

	On December 31, 1929	1928:
10,016 Germans	with 1,003,340 shares of RM 100	(9,928 with 1,003,528)
1,288 foreigners with	224,541 " " " 100	(1,300 with 224,353)
11,304 shareholders with	1,227,881 " " " 100	(11,228 with 1,227,881)

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The number of officials, employees and workmen of the Bank was reduced from 9,885 persons at the end of 1928 to 9,841 at the close of the year under report. Of this total, the regular and temporary staff of officials at the end of 1929 was 8,513, while the employees numbered 677 and the workers (male and female) 651. The head office in Berlin employed 2,621 officials, 257 employees and 518 workers out of the above total.

nches

The number of branches at the end of 1929 was as follows:

		1928:
Chief offices	17	(17)
Offices	84	(84)
Sub-offices with cash department	353	(353)
Sub-offices without cash department	1	(1)
Goods depositories	1	(1)
Total	456	(456)

The following annexes are appended:

Table showing transactions of the Reichsbank in 1929 (Annex I);
Table showing the Reichsbank notes in circulation (Annex II);
Profit and Loss Account for the year 1929 (Annex III);
Balance Sheet of the Reichsbank as at December 31, 1929 (Annex IV)
List of all the Reichsbank branches (Annex V);

List of the Members of the Reichsbankdirektorium, the General Council, the Central Committee, the District Committees and Assessors (Annex VI);

Table of the weekly returns published during the year 1929 (Annex VII);

Tabular statement showing the transactions of the Reichsbank since its foundation (Annex VIII).

REICHSBANKDIREKTORIUM

Dr Hjalmar Schacht Dreyse

Budczies Bernhard Seiffert Vocke

Friedrich Fuchs Schneider.

Transl. 7833.

III. PROFIT AND LOSS ACCOUNT

		RM
I N C O M E		
1. Profits on bills and cheques payable at home and abroad		148,029,646.51
2. Profits on loan transactions (Lombards)		7,346,093.13
3. Commissions		4,334,075.87
4. Interest on credit balances		6,517,221.69
5. Profits on securities		806,634.37
6. Returns from real estate of the Bank		2,596,781.19
7. Profits resulting from purchase and sale of precious metals		39,540.60
8. Miscellaneous		
a) Expenses recovered	RM 576,815.86	
b) Various	" 21,029.37	597,845.23
		170,267,838.59
E X P E N D I T U R E		
1. Cost of Management		88,970,992.34
2. For printing of bank notes		4,602,422.55
3. For building		5,105,530.44
4. Carried to reserve:		
a) "Del credere" fund	RM 15,000,000.--	
b) Reserve for increase of original capital	RM 31,000,000.--	46,000,000.--
		144,678,945.33

FOR THE YEAR 1929.

		RM
Income accordingly amounted to		170,267,838.59
Expenditure accordingly amounted to		144.678.945.33
the net profit for the year 1929 therefore was		25,588,893.26
In accordance with § 37 of the Bank Law it is proposed to distribute this profit as follows:		
To the Legal Reserve Fund ..... 20 % =		5.117.778.64
leaving ...		20,471,114.62
Out of this sum the shareholders are first of all entitled to 8% on RM 122,788,100 = RM 9,823,048.--		
Of the remainder amounting to RM 10,648,066.62		
half goes to the Reich ..... RM 5,324,033.31		
half goes to the shareholders	RM 5.324.033.31	
The Reich therefore receives ..... RM 5,324,033.31		
which sum under § 7c of the Law of August 30, 1924 for the Liquidation of Rentenbank Notes goes to the Rentenmark Sinking Fund.		
The shareholders are entitled to	RM 15.147.081.31	20.471.114.62
Of the sum due to the shareholders amounting to ..... RM 15,147,081.31		
a dividend of 12 % (on RM 122,788,100) will be distributed	RM 14.734.572.--	
The remaining sum of .... RM 412,509.31		
will be carried to the Special Reserve Fund for future payments of dividends.		

IV. BALANCE SHEET OF THE REICHSBANK

A S S E T S

	RM	RM
1. Reichsbank shares not issued		177,211,900.--
2. Gold, not under lien (gold bars, inland and foreign coins)		
a) in the cash offices of the Bank	2,133,328,611.--	
b) with foreign central banks of issue .	149,788,285.43	2,283,116,896.43
3. Cash balances:		
a) Small coin	89,111,113.94	
b) Rentenbank notes	9,616,044.--	
c) Reichsbank notes	1,369,715,590.--	
d) Notes of German Private banks of issue	3,979,050.--	1,472,421,797.94
4. Credit balances in foreign currencies (of which the equivalent of RM 401,043,000 was assigned as cover for the notes in circulation)		413,234,400.55
5. Foreign notes		2,544,344.13
6. Foreign bills and cheques		396,453,342.26
7. Inland bills and cheques		
a) Treasury bills of the Reich		240,690,000.--
b) Other inland bills and cheques		2,212,479,247.71
Inland bills negotiated RM _____		
8. Silver		332,387.55
9. Loans against collateral (Lombards) viz.:		
a) Loans against gold and silver (§21, 3a of the Bank Law)	1,200.--	
b) Loans against securities (§21, 3b, c, d, of the Bank Law)	166,667,400.--	
c) Loans against bills (§21, 3e, of the Bank Law)	32,877,500.--	
d) Loans against goods (§21, 3f, of the Bank Law)	1,169,900.--	
e) Loans against long term obligations of the Reich (§21, 3 paragraph 2 of the Bank Law)	27,434,200.--	
f) Loans against Treasury bills of the Reich (§21, 3g, of the Bank Law) ...	22,479,700.--	250,629,900.--

AS AT DECEMBER 31, 1929. DOC. 327

L I A B I L I T I E S

	RM	RM
1. Original capital		
a) shares issued	122,788,100.--	
b) shares not yet issued	177.211.900.--	300,000,000.--
2. Legal Reserve Fund (including transfer under item 10 below)		53,915,223.93
3. Reserve for pensions and retaining-pay liabilities		80,000,000.--
4. "Del credere" fund (including RM 15,000,000 transfer from gross profits of the year 1929)		90,000,000.--
5. Reserve		
a) For printing of new notes	35,000,000.--	
b) For new buildings	35,000,000.--	
c) For increase of original capital ..	31.000.000.--	101,000,000.--
6. Special Reserve Fund for future payments of dividends		45,811,384.41
7. Total bank note issue		6,413,975,340.--
8. Credit balances of Giro and current accounts		755,170,477.11
9. Miscellaneous:		
a) Interest on bills due in 1930	11,042.647.05	
b) Dividends due but not yet paid	171,061.20	
c) Rentenmark Sinking Fund	17,030.51	
d) Dollar Treasury notes of the Reich to be redeemed by the Reichsbank .	279,132.14	
e) Liabilities in foreign currencies .	197,490.94	
f) Other book debts	120.675.538.68	132,382,900.52

IV. BALANCE SHEET OF THE REICHSBANK

A S S E T S

	RM	RM
10. Securities in the possession of the Reichsbank		93,291,626.23
11. Doubtful claims		9,778,703.13
12. Land and buildings		30,000,000.--
13. Claims resulting from the settlement with the Reich		108,913,950.86
14. Miscellaneous:		
a) Bank notes no longer fit for circulation	583,000.--	
b) Postponed claim on the German Rentenbank in virtue of § 11, 4 of the Law of August 30, 1924, for the Liquidation of Rentenbank notes in circulation	70,082,498.29	
c) Claim on the German Rentenbank in respect of the Rentenbank notes withdrawn from circulation and placed under earmark for the amount of the above-mentioned claim of the Reichsbank	70,082,498.--	
d) Credit balances with Postal Cheque Offices	20,038,151.08	
e) Other claims	140,841,796.43	301,627,943.80
		7,992,726,440.59

AS AT DECEMBER 31, 1929 (contd.)

L I A B I L I T I E S

	RM	RM
10. Net profits for the year 1929	25,588,893.26	
less 20 % assigned to the Legal Reserve Fund	5.117.778.64	20,471,114.62
Contingent liabilities resulting from negotiated inland bills, RM _____		
		7,992,726,440.59

VII. TABLE OF THE WEEKLY

(In millions

A S S E T S

Reichsbank shares not yet issued	Gold	Foreign exchange available as cover	Holdings of		German small coin	Bank notes of other banks	Loans against collateral	
			Treasury Bills of the Reich	Other Bills and cheques			Total	Including Treasury Bills of the Reich
177.212	2,729.345	157.377	0.090	2,101.093	93.618	19.604	54.211	0.001
177.212	2,729.282	156.208	-	1,657.162	117.667	24.867	55.681	0.001
177.212	2,729.176	163.474	-	1,548.427	137.065	30.635	40.708	0.001
177.212	2,729.182	152.216	9.000	1,774.054	121.478	8.277	101.864	0.001
177.212	2,729.111	140.295	-	1,707.182	119.634	17.052	44.405	0.001
177.212	2,728.910	100.354	-	1,446.569	125.364	23.471	78.284	1.427
177.212	2,728.962	99.134	10.100	1,461.250	132.175	28.815	38.467	0.001
177.212	2,728.933	90.386	12.500	1,876.419	114.352	7.244	297.247	14.851
177.212	2,682.829	127.938	21.100	1,749.409	113.260	17.140	153.795	0.001
177.212	2,646.874	67.769	5.000	1,715.214	125.945	21.078	58.983	0.001
177.212	2,646.946	66.970	-	1,672.868	135.269	21.956	43.609	0.001
177.212	2,682.702	35.956	56.990	2,295.787	107.042	8.508	135.052	0.001
177.212	2,579.525	33.695	143.800	2,148.390	113.985	18.491	96.548	0.001
177.212	2,429.866	23.674	76.890	2,120.914	133.812	22.579	121.078	0.001
177.212	2,178.898	39.936	76.730	2,239.354	153.783	29.314	40.987	0.001
177.212	1,891.575	99.372	136.370	2,790.227	134.503	7.243	262.077	13.867
177.212	1,765.619	53.580	201.950	2,783.468	127.896	16.242	208.725	0.001
177.212	1,764.785	56.085	103.930	2,568.458	141.942	22.511	216.523	2.040
177.212	1,764.596	146.455	118.240	2,403.439	154.164	24.956	97.179	0.001
177.212	1,764.529	299.147	144.780	2,860.039	108.100	1.582	254.776	0.009
177.212	1,764.424	308.548	97.810	2,758.704	120.009	9.822	113.410	0.420
177.212	1,764.382	318.515	76.910	2,555.501	134.949	16.277	125.808	0.001
177.212	1,764.327	330.746	54.430	2,427.080	144.706	19.440	92.609	0.001
177.212	1,911.384	360.526	158.170	2,843.048	115.862	3.324	194.331	0.001
177.212	1,994.459	368.928	110.430	2,688.138	116.891	12.505	79.852	0.001
177.212	2,036.240	351.902	14.800	2,399.878	130.987	19.120	173.420	5.925
177.212	2,085.323	340.788	2.570	2,130.753	145.038	23.428	53.207	0.001
177.212	2,148.333	333.882	67.470	2,621.238	125.455	5.146	109.121	2.807
177.212	2,148.318	330.723	16.050	2,413.564	126.000	14.690	43.808	0.001
177.212	2,150.264	302.661	40.110	2,157.312	136.347	19.417	85.770	0.001
177.212	2,177.022	312.213	22.110	2,020.423	144.307	23.916	43.685	0.001
177.212	2,183.440	308.059	37.620	2,634.523	115.946	4.349	162.066	5.251
177.212	2,183.343	320.296	45.660	2,472.576	114.438	13.009	52.190	0.001
177.212	2,186.351	322.757	17.170	2,239.648	120.186	18.268	55.150	0.001
177.212	2,192.006	326.631	4.980	2,116.670	128.900	24.017	43.188	0.001
177.212	2,212.044	335.139	112.960	2,528.284	103.870	3.999	186.295	0.739
177.212	2,211.960	349.566	101.990	2,408.871	95.909	13.446	76.681	0.001
177.212	2,211.819	352.267	10.000	2,082.373	113.458	20.000	134.190	0.001
177.212	2,218.953	353.885	5.520	1,981.491	126.009	25.675	41.999	0.001
177.212	2,229.123	358.960	92.190	2,449.983	98.136	4.837	106.613	4.319
177.212	2,229.010	366.665	31.690	2,319.469	100.000	15.534	50.653	0.001
177.212	2,234.039	369.017	2.470	2,060.235	111.749	21.105	131.961	0.051
177.212	2,236.223	389.669	10.000	1,917.762	121.535	26.648	49.920	0.001
177.212	2,240.352	397.223	41.840	2,367.930	94.931	4.206	164.729	21.181
177.212	2,244.653	398.784	26.840	2,263.037	94.138	12.352	57.082	0.001
177.212	2,247.145	390.781	10.000	2,090.752	100.609	14.147	108.579	0.001
177.212	2,264.664	405.737	33.990	2,156.470	96.858	14.740	97.981	0.001
177.212	2,283.116	403.587	240.690	2,607.703	89.111	3.979	250.630	22.486

of Reichsmarks)

A S S E T S				L I A B I L I A T I E S			
Securities	Other assets	DATE 1929	Original capital (the amount not yet issued is shown in the first column of the Assets)	Reserves	Bank notes in circulation	Other day to day liabilities	Other liabilities
92.278	562.480	Jan. 7	300.000	284.205	4,484.184	619.300	299.619
92.260	561.694	15	300.000	284.205	4,080.428	609.839	297.561
93.309	440.795	23	300.000	284.205	3,809.254	783.141	184.201
93.320	480.783	31	300.000	284.205	4,453.891	422.929	186.361
93.172	469.409	Feb. 7	300.000	319.608	4,236.122	501.314	140.428
93.170	544.577	15	300.000	319.608	4,077.262	467.171	153.870
93.170	481.459	23	300.000	319.608	3,902.094	572.696	156.346
93.170	470.718	28	300.000	319.608	4,553.026	525.560	169.987
93.136	506.095	Mar. 7	300.000	319.608	4,337.660	502.947	181.699
93.136	517.443	15	300.000	319.608	4,165.804	448.517	194.725
93.136	528.783	23	300.000	319.608	4,032.997	528.255	205.889
93.136	550.794	28	300.000	319.608	4,821.986	478.091	223.494
93.092	567.657	April 6	300.000	319.608	4,446.672	668.538	237.577
92.981	488.448	15	300.000	319.608	4,145.211	670.294	252.341
92.964	541.282	23	300.000	319.608	3,918.931	769.295	262.626
92.899	535.399	30	300.000	319.608	4,631.496	585.119	290.654
92.899	514.026	May 7	300.000	319.608	4,442.428	584.768	294.813
92.899	588.767	15	300.000	319.608	4,167.321	648.507	297.676
92.899	589.483	23	300.000	319.608	4,006.198	642.349	300.468
92.899	458.695	31	300.000	319.608	4,606.388	628.170	307.593
92.891	491.699	June 7	300.000	319.608	4,372.539	632.125	310.257
92.891	471.503	15	300.000	319.608	4,191.840	602.637	319.863
92.888	480.142	22	300.000	319.608	4,068.747	579.210	316.015
92.889	562.049	29	300.000	319.608	4,838.647	631.313	329.227
92.878	523.135	July 6	300.000	319.608	4,610.013	603.845	330.962
92.878	516.776	15	300.000	319.608	4,347.461	614.939	331.205
92.891	540.165	23	300.000	319.608	4,091.054	550.906	329.807
92.891	518.525	31	300.000	319.608	4,725.526	515.863	338.276
92.744	557.879	Aug. 7	300.000	319.608	4.472.149	490.404	338.827
92.744	545.683	15	300.000	319.608	4,291.743	452.731	343.438
92.744	548.198	23	300.000	319.608	4,153.109	444.841	344.272
92.755	567.566	31	300.000	319.608	4,897.266	433.921	332.741
92.755	575.308	Sept. 7	300.000	319.608	4,602.590	471.609	352.980
92.755	583.111	14	300.000	319.608	4,411.720	426.704	354.576
92.755	594.746	23	300.000	319.608	4,201.964	519.430	360.103
92.755	650.980	30	300.000	319.608	4,914.277	501.448	368.205
92.583	590.571	Oct. 7	300.000	319.608	4,686.802	444.678	367.701
92.580	600.275	15	300.000	319.608	4,349.534	452.596	372.436
92.562	635.702	23	300.000	319.608	4,110.471	554.500	374.429
92.562	650.002	31	300.000	319.608	4,833.005	453.997	353.008
92.562	617.677	Nov. 7	300.000	319.608	4,550.369	497.446	333.049
92.562	591.363	15	300.000	319.608	4,346.357	495.244	330.504
92.562	611.828	23	300.000	319.608	4,162.489	559.127	292.135
92.562	686.820	30	300.000	319.608	4,916.487	445.374	286.336
92.558	665.230	Dec. 7	300.000	319.608	4,684.044	438.732	289.502
92.558	664.805	14	300.000	319.608	4,588.925	402.053	286.002
92.558	603.323	23	300.000	319.608	4,579.047	448.354	296.524
92.469	563.167	31	300.000	319.608	5.043.677	755.170	293.209

(Amounts in millions of marks: from 1924 onwards in millions of reichsmarks)

VIII. TABULAR STATEMENT SHOWING THE TRANSACTIONS

Year	Total turnover	Purchased			Loans against collateral	Gold purchases	Giro business transacted (including foreign payments of interest coupons for the Reich)
		Inland bills and cheques	Treasury Bills of the Reich (since 1914)	Foreign bills and cheques			
1876	36,684.8	4,122.8		17.6	467.2	46.4	18,781.9
1877	47,541.6	3,823.6		18.7	492.8	177.2	29,171.3
1878	44,254.7	3,355.8		40.3	525.8	97.7	29,256.6
1879	47,458.8	3,369.4		39.3	628.4	84.0	31,963.2
1880	52,193.5	3,484.8		57.4	839.7	46.2	36,606.5
1881	56,336.1	3,661.8		56.6	1,046.6	47.1	39,283.3
1882	56,005.7	4,000.6		42.8	900.9	110.9	38,008.3
1883	62,619.7	3,800.2		45.8	704.2	55.9	45,683.5
1884	71,590.8	3,779.9		43.6	765.2	13.5	54,894.0
1885	73,199.0	3,559.3		77.3	740.0	129.7	56,654.3
1886	76,565.4	3,559.1		105.2	775.8	130.3	59,898.8
1887	79,839.1	3,953.3		66.6	690.3	172.3	61,787.0
1888	84,337.6	3,918.1		54.8	709.6	235.9	66,904.4
1889	99,708.9	4,636.3		61.6	1,045.5	12.1	79,026.1
1890	108,595.4	5,425.5		64.0	1,315.2	88.0	83,804.0
1891	109,933.2	5,413.9		78.3	1,208.1	176.5	85,223.3
1892	104,489.3	4,825.5		68.5	907.0	61.5	82,610.7
1893	110,942.3	5,359.8		67.2	1,054.4	137.0	86,784.2
1894	110,784.0	4,730.2		52.7	825.0	241.1	88,643.9
1895	121,313.1	5,166.3		54.0	1,110.9	55.3	97,931.2
1896	131,499.2	6,234.4		54.4	1,428.2	62.0	109,807.3
1897	142,110.6	6,607.1		54.1	1,553.0	124.0	119,057.3
1898	163,395.5	7,282.3		81.4	1,516.6	101.4	139,277.8
1899	179,632.5	8,175.4		131.0	1,479.0	98.4	155,992.1
1900	189,091.5	8,551.8		211.8	1,594.6	124.5	163,639.1
1901	193,147.6	8,580.1		169.1	1,514.8	139.0	167,737.2
1902	191,926.2	7,437.5		180.4	1,499.8	29.2	169,227.4
1903	205,284.6	8,564.3		175.0	1,908.1	97.9	179,131.9
1904	221,589.6	8,377.3		176.2	1,957.4	264.5	194,562.7
1905	251,267.1	8,946.7		229.0	2,093.4	152.4	222,150.8
1906	279,218.3	10,213.8		291.9	2,773.2	27.6	245,637.6
1907	298,997.4	11,882.3		268.1	3,293.3	111.6	260,668.8
1908	305,244.5	9,620.4		484.6	2,812.2	298.9	269,960.4
1909	331,032.0	9,769.3		589.4	2,728.9	155.2	295,038.5
1910	354,150.4	10,843.6		847.5	3,374.4	164.6	314,184.0
1911	377,502.5	11,307.8		939.5	2,933.1	174.6	337,856.8
1912	413,992.4	12,675.3		804.6	3,130.6	193.1	371,205.8
1913	422,339.7	11,740.1		832.5	3,041.8	317.5	379,169.0
1914	521,775.5	11,864.3	7,831.0	514.8	2,151.0	116.6	464,840.8
1915	972,519.4	5,359.2	49,948.5	11.3	484.0	25.7	831,983.4
1916	1,257,331.4	5,266.7	60,411.5	172.6	532.3	113.3	1,065,465.3
1917	2,029,669.7	3,147.5	115,958.3	442.5	546.9	45.9	1,685,284.7
1918	3,342,920.3	2,069.6	233,986.8	404.2	506.1	419.9	2,676,121.1

OF THE REICHSBANK SINCE ITS FOUNDATION.

Costs of management	Net profit	Distribution of net profit				Total amounts cleared at the Clearing Offices (Abrechnungsstellen)	Staff employed by the Reichsbank at the end of the year	
		Reich	Shareholders		Legal Reserve Fund*		Officials	Other categories
				Dividend %				
5.4	10.3	1.9	7.4	6 1/8	1.0	-	1,094	
5.6	10.7	2.1	7.5	6.29	1.1	-	1,127	
5.4	10.8	2.2	7.6	6.30	1.0	-	1,143	
5.3	6.9	0.6	6.0	5.00	0.3	-	1,141	
5.4	9.9	1.8	7.2	6.00	0.9	-	1,155	
5.4	11.9	2.6	8.0	6 2/3	1.3	-	1,161	
5.5	13.1	3.1	8.5	7.05	1.5	-	1,181	
5.8	10.7	2.1	7.5	6.25	1.1	887.5 (December only)	1,219	
5.9	10.6	2.1	7.5	6.25	1.0	12,130.2	1,248	
6.0	10.6	2.1	7.5	6.24	1.0	12,554.4	1,269	
6.1	7.8	0.9	6.4	5.29	0.5	13,356.5	1,307	
6.3	10.5	2.0	7.5	6.20	1.0	14,207.2	1,337	
6.5	8.1	1.1	6.5	5.40	0.5	15,514.6	1,392	
6.8	12.9	3.0	8.4	7.00	1.5	18,049.0	1,445	
7.4	20.7	7.1	10.6	8.81	3.0	17,991.3	1,507	
7.8	18.7	8.6	9.1	7.55	1.0	17,663.3	1,573	
8.3	11.9	4.3	7.6	6.38	-	16,762.8	1,635	
8.7	17.6	8.6	9.0	7.53	-	18,272.9	1,690	
9.1	11.4	3.9	7.5	6.26	-	18,398.0	1,745	
9.7	9.9	2.9	7.0	5.88	-	21,284.8	1,819	
9.5	17.4	8.4	9.0	7.50	-	22,904.9	1,894	
10.3	19.4	9.9	9.5	7.92	-	24,198.5	1,989	
11.3	22.3	12.1	10.2	8.51	-	27,975.3	2,074	
11.7	31.7	19.1	12.6	10.48	-	30,237.7	2,192	
12.8	33.9	20.8	13.1	10.96	-	29,472.7	2,322	
13.7	25.9	12.4	9.4	6.25	4.1	28,922.0	2,467	
14.2	20.0	8.8	8.2	5.47	3.0	29,969.1	2,552	
14.6	25.4	12.1	9.3	6.18	4.0	31,136.5	2,662	
15.2	26.5	15.9	10.6	7.04	-	32,635.3	2,795	
15.8	25.4	14.3	11.1	6.15	-	37,603.0	2,939	
16.9	40.3	25.5	14.8	8.22	-	42,036.1	3,084	
18.8	52.3	34.5	17.8	9.89	-	45,313.1	3,224	
20.9	37.0	23.0	14.0	7.77	-	45,960.9	3,371	
21.8	23.1	12.6	10.5	5.83	-	51,427.5	3,440	
21.9	27.7	16.1	11.6	6,48	-	54,341.8	3,495	
23.4	27.5	14.9	10.5	5.86	2.1	63,015.3	3,571	
21.9	37.4	21.8	12.5	6.95	3.1	72,543.6	3,626	
22.6	50.6	31.0	15.2	8.43	4.4	73,634.2	3,708	
24.8	67.0	42.5	18.4	10.24	6.1	66,644.8	3,749	
26.5	106.4	85.4	16.1	8.97	4.9	58,106.1	3,694	
28.9	96.3	76.0	15.6	8.68	4.7	67,515.3	3,674	**
34.1	97.3	76.9	15.7	8.72	4.7	93,185.8	3,640	2,967
47.7	110.8	90.5	15.6	8.68	4.7	119,309.5	3,623	4,704

* See following page.

** There are no exact figures available for the period prior to 1917; but in any case there was only a small auxiliary staff prior to 1914.

(Amounts in millions of RM from 1924 onwards in millions of reichsmarks)

VIII. TABULATION OF THE REICHSBANK GIRO'S TRANSACTIONS

Year	Total amounts cleared at the Clearing Offices (Abrechnungsstellen)	Staff employed by the Reichsbank at the end of the year: Officials	Other employees	Distribution of net profit: Dividend	Reserve	Legal reserve	Bequests	Gold Return cases	Interest for the year	Giro transactions
1876				1.0						
1877				1.1						
1878				1.0						
1879				0.3						
1880				0.9						
1881				1.5						
1882				1.8						
1883				1.1						
	(December only)									
1884				1.0						
1885				1.0						
1886				0.6						
1887				1.0						
1888				0.8						
1889				1.8						
1890				3.0						
1891				1.0						
1892				-						
1893				-						
1894				-						
1895				-						
1896				-						
1897				-						
1898				-						
1899				-						
1900				-						
1901				4.1						
1902				5.0						
1903				4.0						
1904				-						
1905				-						
1906				-						
1907				-						
1908				-						
1909				-						
1910				-						
1911				2.1						
1912				3.1						
1913				4.4						
1914				4.1						
1915				4.0						
1916				4.0						
1917				4.0						
1918				4.0						

* See following page.

** There are no exact figures available for the period prior to 1917; but in any case there was only a small auxiliary staff prior to 1914.

VIII. TABULAR STATEMENT SHOWING THE TRANSACTIONS

(Amounts in millions of marks: from 1924 onwards in millions of reichsmarks)

Year	Total turnover	Payments				Receipts			
		Inland bills and cheques	Treasury bills of the Reich (since 1924)	Foreign bills and cheques	Loans against collateral	Gold export	Inland bills and cheques	Foreign bills and cheques	Other receipts
1913	5,876,586.2	2,641.2	449,287.2	1,680.4	1,827.4	927.3	4,746,209.2		
1920	18,770,758.6	9,246.4	2,773,875.6	24,150.9	2,888.4	8,442.6	10,899,698.4		
1921	20,090,801.3	14,038.1	1,277,083.3	18,729.6	5,108.2	36,714.4	18,718,628.6		
1922	95,540,829.3	747,391.7	4,716,137.8	881,760.3	148,106.8	19,251.2	73,831,682.5		
1924	526,027.9	18,182.1	209,654,848,827,132.8	8,399.2	5,714.8	1,120.8	433,498.8		
1925	874,819.1	17,884.6		3,827.3	4,198.8	423.6	472,376.8		
1926	626,982.7	10,317.0		5,882.1	4,272.7	822.7	839,488.4		
1927	729,930.0	20,372.2		2,259.6	6,926.3	90.1	626,798.8		
1928	816,908.0	23,118.2		3,491.2	6,348.8	869.6	694,728.4		
1929	911,471.3	22,881.3		3,681.3	11,321.6	558.0	760,658.0		

Year	Total turnover	Payments				Receipts			
		Inland bills and cheques	Treasury bills of the Reich (since 1924)	Foreign bills and cheques	Loans against collateral	Gold export	Inland bills and cheques	Foreign bills and cheques	Other receipts
1913	5,876,586.2	2,641.2	449,287.2	1,680.4	1,827.4	927.3	4,746,209.2		
1920	18,770,758.6	9,246.4	2,773,875.6	24,150.9	2,888.4	8,442.6	10,899,698.4		
1921	20,090,801.3	14,038.1	1,277,083.3	18,729.6	5,108.2	36,714.4	18,718,628.6		
1922	95,540,829.3	747,391.7	4,716,137.8	881,760.3	148,106.8	19,251.2	73,831,682.5		
1924	526,027.9	18,182.1	209,654,848,827,132.8	8,399.2	5,714.8	1,120.8	433,498.8		
1925	874,819.1	17,884.6		3,827.3	4,198.8	423.6	472,376.8		
1926	626,982.7	10,317.0		5,882.1	4,272.7	822.7	839,488.4		
1927	729,930.0	20,372.2		2,259.6	6,926.3	90.1	626,798.8		
1928	816,908.0	23,118.2		3,491.2	6,348.8	869.6	694,728.4		
1929	911,471.3	22,881.3		3,681.3	11,321.6	558.0	760,658.0		

* The Legal Reserve Fund was further increased by:

12.1	million marks	in 1926
10.5	"	" 1927
14.2	"	" 1928
12.6	"	" 1929

(Amounts in millions of marks: from 1924 onwards in millions of reichsmarks)

VIII. TABULAR STATEMENT SHOWING THE TRANSACTIONS

Year	Total turnover	Purchased			Loans against collateral	Gold purchases	Giro business transacted (including foreign payments of interest coupons for the Reich
		Inland bills and cheques	Treasury bills of the Reich (since 1914)	Foreign bills and cheques			
1919	5,876,596.2	2,641.2	449,287.2	1,680.4	1,327.4	927.3	4,745,209.4
1920	12,770,735.5	9,845.4	773,875.5	24,159.9	2,856.4	6.4	10,698,655.1
1921	20,090,601.3	14,038.1	1,277,083.3	18,799.5	5,108.2	36.7	16,712,655.9
1922	95,540,829.3	747,991.7	4,716,137.9	391,760.3	148,104.5	19.2	79,511,622.1
1923	61,677,982,291,156,000.0	1,472,696,493,997,519.6	209,654,848,627,132.8	236,437,562,097,792.8	201,541,690,121,607.3	90.9	37,906,749,461,413,659.4
1924	526,027.9	18,182.1	- - - - -	2,399.2	2,714.2	120.6	433,498.5
1925	574,519.1	17,384.5	- - - - -	3,257.3	4,128.2	423.6	472,378.8
1926	626,923.7	10,317.0	- - - - -	5,592.1	4,672.7	622.7	539,423.8
1927	729,930.0	20,372.2	- - - - -	2,259.6	5,926.3	90.1	628,793.2
1928	819,906.0	21,118.2	- - - - -	3,491.2	6,345.2	869.6	694,726.3
1929	911,471.3	22,881.5	- - - - -	3,561.5	11,321.5	558.0	750,655.0

ts	Net profit	Distribution of net profit				Total amounts cleared at the Clearing Offices (Abrechnungs-stellen)	Staff employed by the Reichsbank at the end of the year	
		Reich	Shareholders		Legal Reserve Fund*		Officials	Other categories
				Dividend %				
93.2	115.5	94.9	15.8	8.79	4.8	182,676.8	4,264	4,251
206.1	53.1	32.8	15.7	8.70	4.6	695,776.2	5,834	4,530
339.5	64.8	40.9	18.0	10.00	5.9	1,072,118.4	7,096	3,692
265.9	338.7	232.7	72.8	40.00	33.2	6,367,752.0	7,755	5,561
10,952,972,899,883.2	9,003,810,545,635.0	6,302,667,384,304.4	1,800,762,111,491.5	1 billion (+ 1½)	900,381,049,839.5	2,371,643,946,886,383.5	8,818	14,091
			Dividend Reserve Fund	Shareholders				
					Div. %			
86.7	122.5	55.6	33.4	9.0	10	24.5	31,462.9	9,405	5,230
85.9	42.7	12.2	9.7	12.3	10	8.5	50,926.3	8,763	2,874
83.3	22.8	4.2	1.7	12.3	10	4.6	56,876.9	8,572	1,664
75.1	26.0	5.5	0.6	14.7	12	5.2	97,744.2	8,495	1,443
87.6	25.4	5.2	0.3	14.7	12	5.1	121,004.1	8,528	1,357
89.0	25.5	5.3	0.4	14.7	12	5.1	126,227.6	8,513	1,328

* The Legal Reserve Fund was further increased by:

12.1 million marks in 1876
10.5 " " " 1901
13.2 " " " 1904
12.5 " " " 1920.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 19,1930.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT JANUARY 31, 1930.

(cf. DOC. 326)

The following is a translation of the balance sheet of the Rentenbank as at January 31, 1930, as published in the Reichsanzeiger No. 41 of February 18, 1930.

	December 31, 1929	January 31, 1930
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.-	2,000,000,000.-
Rentenbriefe as on 31.12.29 Rt.M. 899,844,000 as on 31. 1.30 Rt.M. 899,844,000		
Loan to the Reich	550,605,129.29	532,097,379.64
Outstanding claim (Rentenbank-Kreditanstalt)	13,135,821.40	13,135,821.40
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	36,695,373.59	36,794,156.21
Real property of the Bank	300,000.-	300,000.-
Miscellaneous assets	2,689,149.16	2,688,507.55

LIABILITIES	December 31, 1929	January 31, 1930
Capital	2,000,000,000.-	2,000,000,000.-
Rentenbank notes in circulation:		
in public circulation	410,284,133.-	391,776,384.-
under earmark with the Reichsbank	70,082,498.-	70,082,498.-
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000,-	156,000.-
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,927,418.22	6,930,913.47
Miscellaneous liabilities	544,463.46	608,352.85

Under § 7a of the Law for the liquidation of Rentenbank notes a further Rt.M. 3,507,749.65 derived from interest payments by the owners of the land subject to the charge have been paid into the sinking fund at the Reichsbank together with the Rt.M. 15,000,000 maturing on January 2 (§ 7b of the Law), the loan to the Reich and the volume of Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law for the Liquidation of Rentenbank notes, Rentenbank notes to the following amounts have accordingly been redeemed:

Rentenmarks	340,234,247.90	under §	7a	of the Law
"	315,000,000.-	" §	7b	"
"	82,750,870.75	" §	7c	"
"	880,334,583.-	" §	11	"
Total "	1,618,319,701.65			

Transl. 7838
DR.

I.I.9.28. DOC. 329

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 15, 1930.

REICHSTAG SPEECH OF THE CHANCELLOR OF THE REICH, HERR MUELLER, ON MARCH 12, 1930.

(Translation from official report)

Müller, Chancellor of the Reich: Ladies and gentlemen! The question before you for decision to-day is on the adoption of the New Plan which was first suggested by the decisions taken jointly by the delegates of Germany and the principal creditor Powers at Geneva on September 16, 1928. During the lengthy negotiations on this work the object of Germany was to liberate the Rhineland and to obtain a new settlement of the reparation question. On February 11th the Minister for Foreign Affairs, when submitting the present draft laws, already explained to you the standpoint of the Reich Government in general outline. This standpoint the Government of the Reich has fully justified in greater detail during the long discussions of the past weeks. Now, upon the beginning of the third reading, as it has done before, the Government most emphatically recommends the simultaneous adoption of all these bills. After the very lengthy debates of the past weeks, I need not go into all the details again to-day. I will therefore confine myself in the third reading to some main considerations.

At no stage in the negotiations has the Government of the Reich concealed that the Experts' Plan of June 7, 1929, and the agreements concluded to put it into effect remain far behind what also in its conviction were the justified expectations of Germany,

(Hear, hear! from the Right)

and that criticism is unfortunately justified in many points. But the decisive thing for us must remain whether the result as a whole is such as to benefit the general German welfare or not.

(Count Westarp: Can the agreement be carried out?)

I shall go into that point, Count Westarp.

The Government of the Reich declares that it is fully convinced that the new settlement represents progress as compared with the status of things up to now.

(Very true! from the coalition parties - Cries on the Right)

Above all things, the reconstruction of the German economy requires steadiness and its development requires calm.

(Very true! from the coalition parties)

For a long time German business has called for immediate relief from the paralysing state of uncertainty as to the economic future. The settlement of reparation questions now before you takes this demand into account. To be sure, the charges which are imposed on the German people and their economic system even under the new settlement are extraordinarily heavy. If nevertheless the Government is convinced that the attempt to carry out the New Plan will not turn out to the detriment of Germany, it is acting on the definite expectation that the creditor Powers also intend to execute

their obligations under the New Plan no less loyally than Germany intends to execute hers.

(Laughter and cries from the Nationalists)

This applies to the loyal application of the various safeguards in favour of Germany provided under the New Plan. It applies, in general, to the loyal observance of the principle that the solution of the reparation problem is not a task of Germany alone, but lies in the common interest of all countries concerned and therefore requires the co-operation of all concerned.

(Very true! on the Left)

The charge has been made that The Hague Agreement imposes additional payments on Germany which the Experts' Plan itself did not contemplate. In particular, it has been stated that the settlement, unfavourable to Germany, in respect to the sum of about 400 millions arising out of the transition period, in respect to compensation for State property lost to Poland, and in respect to the liquidation surpluses has no basis in the Young Plan and could have been avoided by the German Government.

In the first place, it should be noted that in all three cases there is no question of additional payments beyond the annuities proposed by the experts. The Young Plan says nothing to the effect that we were to have a right to deduct these amounts from the annuities. As to the amounts in respect of the transition period, the Young Plan says that they are to serve primarily to meet the requirements of the creditor countries during the transition period and that, in case any surplus should remain, its disposition is to be settled by the Governments. In other words, the Plan failed here to decide not only what the requirements of

the creditor Powers were and whether any surplus would remain, but also what is to be done with such surplus. All these points were left open because the experts were unable to agree, inasmuch as already then the representatives of the other Powers denied Germany the right to these surpluses.

As to the question of credit for State property, all the experts declare that, in their opinion, the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes Plan, and - which is often overlooked - all accounts involving credits against the original capital debt, should be rendered obsolete. This deprived Germany of any possibility of advancing any claims on account of the transfer of State property to Poland. The question of State property has, therefore, nothing whatever to do with the questions which are settled in the German-Polish liquidation agreement.

Neither did the report of the experts give us any adequate basis for insisting on the transfer of liquidation surpluses to Germany. Nevertheless, we put forward this demand with the greatest possible emphasis, particularly against England.

(Cries from the Nationalists)

We deeply regret that we had no success; but even in this case there can be no question of additional payments beyond the Young Plan.

Other renunciations to which Germany had to agree originated in a recommendation of the experts of the creditor Powers. The German experts were able to oppose no effective resistance and could only refer the question to the Governments for decision.

The creditor Powers then made the acceptance of also this recommendation by Germany a condition of their approval of the Plan. But we succeeded at least in restricting its application much more narrowly and, so far as concerns Poland, in taking the question outside the Young Plan and putting it into a separate agreement which gives us compensations in the field of national policy.

(Loud cries on the Right)

The Minister for Foreign Affairs has sufficiently explained the political significance of this agreement, and I agree in every respect with the statements he made about it to you only the day before yesterday.

(More loud cries on the Right)

The statement that the German payments on account of the Belgian mark claim are to be regarded as supplementary payments is also unjustified according to Annex VI of the Young Plan. Here the experts declare that the signature of the report by the Belgian members "cannot reasonably be expected except on the understanding that an agreement for the settlement of the mark claim will be reached by direct negotiations between the Belgian and German Governments" and "that the New Plan cannot become operative until the Belgian and German Governments have come to an internationally binding agreement". In the Young Plan itself the experts declare further their readiness to recommend to their Governments that no objections be offered to the separate Belgian annuities being administered in the same way as the annuities of the Young Plan. All the experts therefore expressly contemplated supplementary payments to Belgium at that time.

The Opposition has repeatedly raised the question whether and for how long the Government considers the Young Plan possible of execution.

Neither the Reich Government, nor any expert nor any man in the world can, in my opinion, predict the effects of the Young Plan in a spirit of honest conviction to-day.

(Very true! from the coalition parties - Loud cries on the Right: Why do you sign it then?)

Gentlemen, I beg you to remember the prophecies which you have been making for the past ten years and which have not been fulfilled.

(Very true! from the coalition parties - Loud cries on the Right)

Gentlemen, I tell you quite frankly that I have -

(Cry from Dr Goebbels - President's bell)

President Loebe: Herr Goebbels, I call you to order and beg you not to interrupt continually.

Müller, Chancellor of the Reich: Ten years ago I had the honour to stand here, first as Minister for Foreign Affairs and then as Chancellor of the Reich. At that time I made certain statements in connection with the Versailles Treaty more than once to representatives of foreign Powers - statements made according to my best knowledge and belief - and fortunately my predictions were not fulfilled because I myself then looked upon the situation of Germany in too pessimistic a light. I will recall to you that I told the Chargés d'Affaires of the Allied Governments again and again that if geographical areas belonging to Germany were taken away, Germany would not be able to exist as a state at all on account

of the reduced coal supply, and that - fortunately, I say - these fears were proved to be unfounded by the actual course of economic developments.

(Loud cries from the National-Socialists)

No, I do not mean to admit anything; I only want to show by saying this how hard it is, in such a transitional period of the world economy, to venture any economic predictions at all.

(Renewed cries from the Right)

We can only declare that Germany accepts the New Plan with the sincere readiness to carry it out, and that she will do her best to fulfil the obligations once assumed.

(Cries from the Right)

The Government of the Reich believes itself all the more in a position to affix its signature to this treaty

(Cry from the National-Socialists: And we shall starve in doing so! - Laughter on the Left)

because the agreement itself comprehends the possibilities of development which had to be included in the interest of maintaining German economic life.

According to The Hague Agreement, all foreign controls over Germany will disappear. Foreign influence in those vital institutions of the Reich, the Reichsbank and the German Railway Company, will cease to exist. As is emphasised once more in the agreement on mobilisation, the financial policy of Germany is in future to be free. The counterpart to this freedom is independent responsibility, including responsibility for the transfer of the reparation payments to the other countries.

(Cries from the Communists)

In the event that this does not succeed in spite of Germany's good will and that dangers to our currency and economic life threaten, Germany has the right to declare a moratorium or to call the special advisory committee. In these questions of vital importance to Germany's economic existence we are no longer dependent upon the uncontrolled and uncontrollable decision of a body composed of foreigners alone, as was the case under the Dawes Plan. But if we call the special advisory committee, experts will then have to examine the whole situation again; in case of need, they will have to state what measures are necessary to avert the dangers threatening Germany's economy and currency.

(Cries on the Right)

The international co-operation emphasised in the New Plan must be guaranteed by the Bank for International Settlements and the special advisory committee especially at that time when, after the expiration of a space of time for which complete or partial transfer or payment postponement has been declared for any monthly instalment, the transfer of the amounts attributable to the period of the moratorium has to be effected in addition to the transfer of the current annuity and thus leads to an accumulation of transfers which - as must be emphasised already at this time - requires precautionary and helpful measures of support and modifications according to the sense and spirit of this Plan.

(Laughter on the Right - Very true! from the Social-Democrats and Democrats).

The idea of sound economic reason pervading the whole Experts' Plan will certainly have to be given its full effect at this point, too, if the work of The Hague Agreements is to have permanence. Following the disturbances of the world war, the pacification of the world must and will progress. With the adoption of the Young laws a new era will be reached

(Laughter on the Right)

which will be the basis for our further work of reconstruction.

I must regret very deeply that The Hague clauses on the so-called sanctions question have unnecessarily given rise to frequent misinterpretations or at least doubts.

(Cry from the Nationalists)

I cannot agree in any sense that such misinterpretations and doubts are justified. Through the termination of the functions of the Reparation Commission and through the initiation of the organs of the New Plan, the system of sanctions set up by the Treaty of Versailles has been rendered null and void, and above all the foundation of Article 430 of this Treaty has been destroyed. The Rhineland has been freed thereby of its present position as a special pledge for German reparations. For all difficulties which may arise in the execution of the Plan, the methods of procedure to assure a fair and just settlement are fixed in the Plan itself.

(Cries on the Right)

In particular, all questions of dispute as to the New Plan which may come up in future have to be decided by the arbitral tribunal, whether they be questions of interpretation or questions of application. The clauses of the Plan on all these methods of procedure are exhaustive, so that the creditors have no other

powers whatever in addition to them. In so far as this can be done by treaties at all, Germany is thus secured in future from such measures as those to which she has had to submit in the past as a result of one-sided decisions of her creditors.

Of course, one thing could not be removed from the world - and that is the fact that we are obliged by treaty to make extraordinary reparation payments

(Cries on the Right: Tribute!)

and that the fulfilment of this obligation is subject to the general rules of international law. Nobody therefore can reasonably expect that it would be possible, for example, to make the creditors admit that they themselves must quietly accept the gravest breach of such treaty obligation without replying thereto by using the means which common law would give them under such circumstances. We could do nothing else than try to reduce all such possibilities to the really extreme hypothesis, and even for this extreme case to interpose all conceivable guarantees. This was done at The Hague. The existence of the extreme hypothesis, that is, the hypothesis that Germany has deliberately torn up the Plan by intentionally and wilfully destroying it as a whole, can be declared only by the highest international court; and before a judgment to this effect, which in practice we may regard as an impossibility, the creditor Powers, as they expressly recognise, can take no steps whatever against Germany.

The German plenipotentiaries at The Hague rightly regretted the mention of this extreme hypothesis; but it was not to be

avoided if the system of sanctions under the Versailles Treaty was really to be completely abolished.

(Very true! in the middle and among the Social-Democrats)

The position of Germany will in practice hardly ever become less favourable, as has been repeatedly explained in committee, from the fact that in principle even an individual creditor Power may appeal to the court.

For the rest, I wish only to emphasise once more than Annex I of The Hague Agreement is a separate arrangement which was signed only by Germany, on the one hand, and France, England, Italy, Japan and Belgium, on the other hand,

(Hear, hear! in the middle)

so that other Powers cannot derive any rights whatever from it.

(Hear, hear! in the middle and from the Social-Democrats)

The second great object, aside from the new reparation settlement, was the evacuation of the occupied areas. It is assured with the adoption of the present laws. With deep emotion we can look forward to the day when we shall solemnly celebrate the evacuation of the Rhineland and thank the population for their loyalty and for the sacrifices they have made in very hard times for the sake of the whole country.

(Applause from the coalition parties)

It is regrettable, however, that the Saar negotiations now pending have thus far led to no tangible result. It remains the object of German foreign policy to do everything to re-unite the Saar district with the remainder of Germany as quickly as possible. I firmly hope that, once the evacuation of the Rhineland and the

Palatinate has become a fact, the liberation of the Saar district will soon follow.

(Cry on the Right: When?)

The return to stable and steady conditions which, as we confidently expect, will be a consequence of the acceptance of the New Plan, will clear the way for a far-sighted financial, constitutional and economic reform. In December the Government of the Reich drew up a financial programme, the full realisation of which has had to be postponed for the time being owing to the necessity of making legal provision for increased debt amortisation. In the sense of this programme the Government of the Reich once more declares that the economic life of Germany is in urgent need of the relief which must be given at the earliest possible date.

(Lively cries on the Right and from the Communists)

The formation of capital must be encouraged and expenditure must, so far as possible, be energetically reduced.

(Continuing interruptions from the Right and from the Communists - Bell)

President Loebe: Gentlemen, I beg you to be quiet, otherwise the Chancellor cannot be understood.

Müller, Chancellor of the Reich: Above all things, however, a rehabilitation of the financial and Treasury position of the Reich, the States and the communes is the prerequisite essential to a return to orderly financial conditions, Only thereby will dangers to the finances and to the economic system be effectively averted in future.

In preparing the draft budget for 1930, which was adopted a few days ago, the Government of the Reich has acted in full accord with this knowledge. The draft budget is compiled with the greatest economy and it is in balance. For the expenditure side, proposals are made which guarantee cover through assured receipts. As a basis for the future financial policy in respect to the extraordinary budget, the Government of the Reich has decided in general that:

1. New extraordinary expenditures may be included in the budget in future only if cover through receipts is assured.

2. For the time being, new loan requirements may not be included in the budget until old loan requirements have been finally disposed of.

3. All obligations to cover expenditures included in the budget may be assumed only within the limits of the funds made available by the Finance Minister of the Reich.

The financial programme drawn up cannot fail to give new impetus to business. The return of confidence in our own strength will not only revive the spirit of enterprise, but will also encourage the provision, at home and abroad, of the amount of capital required by the German economy.

The problem of unemployment, which to-day is so heavy a burden on the German economy,

(Loud cries from the Communists - Herr Rädel: So heavy a burden on the workers!)

will not have such unfavourable effects as it now has if we succeed in putting business on a better footing after the acceptance of

the New Plan. The Government of the Reich will, as it has done hitherto, make every effort to continue along well-tried lines the German social policy of which the German people have every reason to be proud and the maintenance of which is urgently necessary in the interest of securing the existence of all workers.

(Very true! in the middle and from the Social-Democrats)

The Government has been constantly concerned with the needs of agriculture. The prices of the most important agricultural products have developed unfavourably since the amending customs law of December 22, 1929. The over-supply on the world market threatens German agriculture with further heavy losses.

(Repeated cries from the Right)

That we are responsible for the over-supply on the world market nobody has, up to now at least, ever asserted.

(Laughter and applause from the Social-Democrats)

New and speedily effective measures against agrarian distress are in preparation and must be put through immediately. Their aim must be to make expedient use of the supplies of home products which are at present unsaleable. In the present period of distress and in consideration of our financial liabilities to foreign countries, the importation of unnecessary foodstuffs can in principle be justified only in so far as the productive capacity of the country is not sufficient to secure the feeding of the population.

(Very true! in the middle)

Supplies of rye derived from two good harvests are burdening the market. We must ensure their consumption within Germany and so restrict imports of foreign wheat, which still total almost

RM 450 millions per annum in value. Foreign countries also must show an understanding for this in view of the general economic position in Germany and the pressure of the reparation obligations. But if the full utilisation of home agricultural production and the restriction of imports to the amount really required are to be successful, the whole population must collaborate. I appeal to them. Let them not fail in their duty at this hour.

(Cries on the Right)

I do not know, gentlemen, what objection you can have to these statements. After the acceptance of the Young Plan you will have much free space in your press, and you can use it to make propaganda for rye-bread in the interests of agriculture.

(Very good! from the Social-Democrats)

As the Finance Minister already emphasised in his speech of March 7th, all danger to the German currency is excluded in view of the independence of the Reichsbank, on which the Government of the Reich will insist under all circumstances, and in view of the means which the Reichsbank has at its command. The more we do to restore and maintain quiet in German business generally, the more effectively shall we be able to ward off all danger of crisis.

But it is also necessary energetically to oppose all tendencies in the direction of causing political disturbance in Germany.

(Great disturbance and loud cries from the Communists and on the Right - Very good! in the middle and among the Social-Democrats)

Fear of political disturbances also contributes toward encouraging the flight of capital.

(Very true! in the middle)

Quite wrongly so, for the Government is strong enough to put a stop to all such tendencies, wherever they may appear. Any signs of revolt, on either the Left or the Right, will be ruthlessly nipped in the bud.

(Bravo! from the Social-Democrats)

In the ten years and more which have elapsed since the Weimar Constitution was created, the present form of the State has become so consolidated that the German Republic to-day stands unshakably firm.

(Very true! from the Social-Democrats - Disturbance and cries on the extreme Right)

The Republic is firmly enough established to repulse, with energy and success, all attacks directed against it. The weapons necessary for this purpose are at its disposal.

(Very good! from the Social-Democrats - Disturbance and cries on the Right)

Ladies and gentlemen! The dispute over the new settlements with its pros and cons, has now engaged the German people for a year past. When the work based on the New Plan has been accepted, the German people must see that there is only one thing possible: the heavy obligations which we have been obliged to shoulder - not gladly, but in order to avoid worse things - shall, so far as lies in our power, be fulfilled. Only so will the way gradually open leading upward to a better future.

(Very true! from the Social-Democrats)

To sum up, a calm general development of German busines, its relief through the New Plan, the proposed tax reform and the

measures introduced in favour of agriculture are the basis on which the Government of the Reich intends to work further for the reconstruction of our country. It requires to this end the collaboration of the German Reichstag, and this collaboration must not be denied it if the German people are not to suffer grave injury.

(Lively applause from the Social-Democrats - Disturbance and loud cries from the Communists and the National-Socialists)

DLC.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 16, 1930.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT FEBRUARY 28. 1930.

(cf. DOC. 328)

The following is a translation of the balance sheet of the Rentenbank as at February 28, 1930, as published in the Reichsanzeiger No. 63 of March 15, 1930.

	January 31, 1930	February 28, 1930
ASSETS		
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 31.1.30 Rt.M. 899,844,000 as on 28.2.30 Rt.M. 899,844,000		
Loan to the Reich	532,097,379.64	523,869,300.52
Outstanding claim (Rentenbank-Kreditanstalt)	13,135,821.40	13,178,577.65
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	36,794,156.21	38,880,234.99
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,688,507.55	2,704,035.95

LIABILITIES	January 31, 1930	February 28, 1930
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	391,776,384.--	383,548,305.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	44,519,873.13
Reserves	6,930,913.47	6,929,913.47
Miscellaneous liabilities	608,352.85	617,762.38

Under § 7a of the Law for the Liquidation of Rentenbank Notes a further Rt.M. 2,904,045.81 derived from interest payments by the owners of the land subject to the charge have been paid into the sinking fund of the Reichsbank, together with the share of the Reich in the net profits of the Reichsbank for 1929 amounting to Rt.M. 5,324,033.31 (§ 7c of the Law), the loan to the Reich and the volume of Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law for the Liquidation of Rentenbank notes, Rentenbank notes in the following amounts have been redeemed:

Rentenmarks	343,138,293.71	under § 7a of the Law
"	315,000,000.--	" § 7b " " "
"	88,074,904.06	" § 7c " " "
"	880,334,583.--	" § 11 " " "
Total Rentenmarks	1,626,547,780.77	

Transl. 7932.

DLC.

M-Langer.

I.I.9.414 DOC. 331

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 28, 1930.

ANNUAL REPORT OF THE DEUTSCHE RENTENBANK FOR 1929.

(see DOC. 310)

The following document is a translation of the report of the Management of the Rentenbank published to-day.

The repayment of the debt of the Reich to the Rentenbank continued during the year under review in accordance with the provisions of the Law and the redemption of Rentenbank notes in circulation was continued in a corresponding degree.

I. On January 1,1929 the loan to the Reich RM

stood at 677,566,298.29

During the year under review the following sums were paid into the sinking fund (§ 7 of the Law):

	RM	RM
Interest payments of the persons and concerns subjected to the agricultural charge (§ 7a)	61,721,496.35	
Payments of the Reich (§ 7b) ..	60,000,000.00	
Share of the Reich in the net profits of the Reichsbank in 1928 (§ 7c)	5,239,672.65	126,961,169.00
thus reducing the loan to the Reich as at December 31, 1929 to		550,605,129.29

II. The Reichsbank withdrew from circulation Rentenbank notes in respect of the RM 126,961,169.00 paid into the sinking fund, and destroyed them in conjunction with the Rentenbank.

	RM
Accordingly the circulation, which totalled on December 31, 1928	607,327,800.00
was reduced by December 31, 1929 by	126,961,169.00
to	480,366,631.00
The maximum amount in circulation on October 11, 1924 (the day on which the Law for the Liquidation of the Rentenbank Notes came into force) was	2,080,178,583.00
So that by December 31, 1929 Rentenbank notes in the amount of	1,599,811,952.00

had been redeemed in conformity with § 7a - c § 11 of the Law.

III. It was possible during the year under review to realise the greater part of the liquidation bills held by the Rentenbank, the proceeds of which the Rentenbank-Kreditanstalt has undertaken to collect. Bills to the value of RM 33,012,931.55 were realised and the cash balance with the Rentenbank-Kreditanstalt was increased by a corresponding amount. By a decision of the Board of Control, approved by the General Meeting, RM 10,000,000 of this balance were transferred to the Rentenbank-Kreditanstalt.

IV. The Balance Sheet calls for the following observations in respect of items not yet mentioned:

The holdings of Rentenbriefe have been reduced by 300,000,000 fine gold marks during the past year. Further reductions will be made during the current year with a view to reducing the holdings to the much diminished circulation of Rentenbank notes.

The item "securities" has been reduced by RM 800,000.00 as a result of the redemption of Treasury certificates purchased as a temporary investment. The item largely represents the counterpart to the item "pensions fund" on the liabilities side, the funds in question being invested in fixed-interest-bearing securities.

With regard to the item "reserves" in the amount of RM 5,492,189.69, the observations made in the previous report still hold good. As no new issue of Rentenbank notes was necessary during the year under review, it is to be hoped - in view of the reduced circulation - that the reserves for the printing of new notes will prove adequate. It is probable that the reserve for doubtful claims, which is included under the general heading of "reserves", will shortly have to be drawn upon.

V. With regard to the <u>costs of management</u> it should be noted that they have again, as in previous years, been divided in due proportions between the Rentenbank and the Rentenbank-Kreditanstalt, which work with an identical staff.

We propose to transfer the net profit of RM 2,761,018.69 to the "reserve out of profits", which will thereby be increased to RM 47,280,891.82.

VI. <u>Staff</u>. In virtue of § 23 paragragh 4 of the Statutes of the Rentenbank the appointment of the members of the General Meeting, for the period January 1, 1929 until the winding up of the Rentenbank, was carried out by the bodies entitled thereto. A list is appended.

The members of the Board of Control, newly elected at the General Meeting in conformity with § 12 of the Statutes, were selected at the proposal of the bodies concerned from the accompanying list of persons connected with the Rentenbank.

At its meeting of March 22 the newly elected Board of Control unanimously re-elected the President of the Rentenbank, Staatsminister Dr Lentze, as Chairman of the Board. The Government of the Reich has approved the election.

The former members of the Board were re-elected. Herr Freiherr von Pfetten, a member of the Board, has died.

VII. It is intended, in conjunction with the proposed termination of interest payments as from April 1, 1930, to amend the Law on the Liquidation of Rentenbank Notes of August 30, 1924 accordingly, and to substitute for the existing agreement between the Government, the Reichsbank and the Rentenbank, a new agreement between the present parties plus the Rentenbank-Kreditanstalt. Pending the introduction of the amendment and the conclusion of the new agreement, we recommend the Board of Control to vote the transfer of RM 25,000,000 of the assets of the Rentenbank to the Rentenbank-Kreditanstalt after the 1930 General Meeting.

THE MANAGEMENT OF THE DEUTSCHE RENTENBANK

Lipp. Kissler. Szagunn.

We agree with the foregoing report of the Management and approve the proposal to add the net profit to the reserve out of profits, and to transfer RM 25,000,000 of the assets of the Rentenbank to the Rentenbank-Kreditanstalt after the General Meeting for 1930.

THE MANAGING BOARD AND BOARD OF CONTROL OF THE DEUTSCHE RENTENBANK.

LENTZE

President.

BALANCE SHEET OF THE DEUTSCHE

	RM
A s s e t s	
Charge on agriculture for 2,000,000,000.00 fine gold marks	2,000,000,000.00
Holdings of Rentenbriefe 899,844,000.00 fine gold marks	-
Loan to the Reich	550,605,129.29
Outstanding claim (Deutsche Rentenbank-Kreditanstalt).....	13,135,821.40
Cash, credit balances on Reichsbank giro account and postal cheque account and balances with other banks.....	38,646,158.52
Securities	2,532,423.65
Bank premises	300,000.00
Furniture and fittings	1.00
Other assets	158,318.76
	2,605,377,852.62

RENTENBANK AS AT DECEMBER 31, 1929

	RM
Liabilities	
Original capital Rentenmarks 2,000,000,000.00	2,000,000,000.00
Rentenbank notes in circulation	
in public circulation..Rt.M 410,284,133.00	
under earmark with the Reichsbank ..... " 70,082,498.00	480,366,631.00
Rentenbriefe in circulation 156,000.00 fine gold marks	156,000.00
Interest repayable to the Reichsbank (§ 11 paragraph 4 of the Liquidation Law).	70,082,498.29
Interest coupons of Rentenbriefe still to be redeemed - 3,950.00 fine gold marks ...	3,950.00
Other liabilities	557,260.89
Reserves	5,492,189.69
Pensions fund	1,438,430.93
Reserve out of profits 1924-27	44,519,873.13
Net profits	2,761,018.69
	2,605,377,852.62

DOC. 331

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31, 1929.

Dr.	RM	Cr.	RM
Costs of management	144,374.41	Interest on credits granted and short-term investments	2,809,525.20
Interest on Rentenbriefe	6,800.00		
Net profits	2,761,018.69	Interest on securities	102,667.90
	2,912,193.10		2,912,193.10

Transl. 7975.

DLC.

I.I.9.4142 DOC. 332

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 28,1930.

MANAGEMENT AND BUSINESS REPORT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (CENTRAL BANK OF AGRICULTURE)

Fifth business year 1929.

(see DOC. 311)

(The following document is a translation of the report of the Management of the Deutsche Rentenbank-Kreditanstalt published to-day.)

I. The credit position of German agriculture during the past business year failed to show any improvement by comparison with previous years, despite satisfactory harvest results in the average. The reason for this is to be sought in the generally unfavourable economic situation and the excessively high interest rates charged to agriculture. The tribute charge imposed upon the German economy is one of the causative factors of both.

As a result of inadequate prices for almost all agricultural products, agriculture continued in general to prove an unprofitable undertaking. In the case of wheat, it is true, it was possible to check the marked fall of prices from July 1929 onwards by the regulations on the compulsory milling of homegrown wheat. On the other hand rye, barley, oats and potatoes have suffered from an unusual fall of prices since the 1929 harvest, and in their case prices even fell below the pre-war level during the second half of the year (no account being taken of the reduced purchasing power of money).

The only branch of production in which prices maintained a fairly satisfactory level in 1929, i.e., pig breeding, was unable to offset the losses incurred elsewhere in anything like the necessary degree. The continuance of large imports of foodstuffs prevented the adequate utilisation of surplus farm products for livestock. The absence of large scale exports also closed a possible outlet. The customary support afforded to the cattle market by high prices for pigs also failed to prove sufficiently effective, for the reason that a long period of drought and a shortage of capital led to the premature slaughter of cattle and thereby to a decline in the milk yield. Lastly the decline of general purchasing power as a result of the trade slump increasingly affected the prices of foodstuffs. Dairy produce and expensive market garden produce suffered more particularly, and at the same time it became apparent that in times of a declining purchasing power throughout the population foreign competition weighs especially heavily upon agriculture. In the face of these conditions agricultural costs of production have not diminished but have on the contrary increased still further.

Oppressed as they were by this disproportion between outlay and income the majority of agricultural undertakings were unable again in 1929 to reduce their indebtedness. The statistics compiled by the Institut für Konjunkturforschung show however, in the monthly record of the total indebtedness, that the volume of credit indebtedness underwent a slight decline in the second half of 1929. Agricultural credits contracted since the stabilisation (in so far as information is obtainable) totalled

RM 7.26 milliards at the end of 1929, as compared with 6.80 milliards at the end of 1928 and 7.35 milliards at the end of the first half of 1929.

In some districts the local banks report an increase of deposits. Where such deposits have been made (as is rarely the case) by agriculturalists farming for their own account, they may be attributed to specially favourable conditions in one or other of the branches of the industry, more particularly in pig breeding. With regard to the slight decline of fresh indebtedness reported by the Institut für Konjunkturforschung, it must be remembered that - as shown by the information published by us on the credit position in undertakings which keep accounts - there is a considerable volume of indebtedness in addition to that covered by the statistics of the Institut. The total amount of such indebtedness can only be estimated; its fluctuations since the stabilisation have hitherto not been ascertained in detail. It includes revalorisation mortgages, private mortgages, annuities and reservations by parents when settling property on their children (Altenteile), and floating debts. In so far as the decline of indebtedness has not been offset by an increase of the unrecorded debts, the decline is probably due to the efforts of many undertakings to redeem old debts and avoid new loans, even at the cost of reducing the value of their property. Neither the growth of deposits nor the slight decline of the credits covered by statistics can be taken as proof of a turn for the better in the general credit position of agriculture. Further evidence against any improvement is also to be found in the fact that the internal

structure of agricultural indebtedness has remained almost unchanged; that is to say a considerable volume of unfunded "frozen" credits contracted in earlier years has still to be borne, although the redemption of such loans would be most to the interests of the agriculturalists since their burden is greatest.

The money market suffered, with brief intervals, from strain throughout the year. The Reichsbank did indeed succeed on January 12, 1929 in reducing the discount rate, which stood at 7 per cent throughout 1928, to 6½ per cent. But on April 25, 1929 the bank was obliged to raise the rate once more by 1 per cent (to 7½ per cent) and it was not until November 2, 1929 that conditions on the money market allowed of a reduction to 7 per cent. The interest rates charged to agriculture for short-term loans were on an average higher than in the previous year. As ever the ultimate borrower suffered from the fact that money was rendered disproportionately dear by the supplemental charges imposed by middlemen.

On the capital market the conditions governing the supply of credit to agriculture have been further aggravated. The available capital, already restricted by reparation payments, was largely absorbed by the demands of the public authorities. Accordingly it was insufficient to furnish agriculture by way of the mortgage bond market with the capital required for the conversion of short-term debts. Added to this was the fact that the economic and political uncertainty prevailing throughout

the year paralysed the sale of mortgage bonds and even resulted in the return of earlier issues to the market, thus crippling the activities of the banks concerned. The high interest rate of 8 per cent - which illustrates the shortage of capital - had to be retained for mortgage bond issues throughout the year, without however succeeding in preventing a fall of quotations. Altogether some RM 480 millions of new "real" credits were made available to agriculture in 1929. Of this amount a considerable proportion was utilised for the conversion of the first instalment of the Golddiskontbank loan. These new mortgage credits have a yield on their net proceeds of 10 to 11 per cent. Foreign capital markets (American as well as European) were unfavourable to German loans during the year under review. This was due, among other things, to the fact that public interest abroad was almost exclusively concentrated on the share market. The terms on which a loan could have been concluded would, in our opinion, have proved intolerable for German agriculture in the long run, and would moreover have established an undesirable precedent for any future loan transactions. For this reason we abstained from contracting any loans abroad, although we had made extensive technical preparations for the same. We hope that at some future date, when conditions on foreign markets are more favourable, these preparations will stand us in good stead.

In recognition of the great importance of <u>rationalisation and reform of the agricultural co-operative system</u> to the whole of German agriculture, which expects more favourable prices for commodities and easier credit terms from these measures, the

Managing Board of the Rentenbank-Kreditanstalt decided in the summer of 1928 to collaborate in the good work with the Reich and the Preussenkasse by lending financial assistance. So soon as the spade work within the co-operative system had proceeded far enough to afford some idea of the nature and extent of our assistance, the Board gave effect to its decision in December 1929 by placing a total sum of RM 25 millions at the disposal of the system. Commencing July 15, 1929 this sum is to be paid over to the Preussische Zentralgenossenschaftskasse (Preussenkasse) in twelve half-yearly instalments, representing the reimbursement of interest received on credits granted to co-operatives. At the same time the Board appointed a committee from among its members, consisting of ex-Minister of the Reich Dr Hermes, Geheimer Landes-Ökonomierat Hohenegg and ex-Regierungspräsident Dr Kutscher, to decide upon the distribution of our rationalisation and reform fund. Negotiations between the committee and the Preussenkasse were subsequently opened and at the time of writing this report had led to the conclusion of a provisional agreement, in virtue of which the semi-annual instalments due have already been paid and four further semi-annual instalments have been promised.

II. Our <u>"personal" credit business</u> shows an increase by comparison with the previous year of about RM 12,000,000. The sum total of "personal" credits is approximately RM 282,000,000. In this connection it must be remembered that the first tranche of instalment credits series A in the amount of RM 26,000,000 repayable on December 31, 1929 was received practically in full on that day. The small outstanding balances have since been repaid.

The various current types of credits were maintained during the year under review, and in addition to the formal "personal" credits special attention was devoted to seasonal credits (for the financing of the harvest, pasturage, fertiliers, etc.).

We have taken the unfavourable position of agriculture into account in making moderate demands for the repayment of credits and fixing dates for repayment with consideration of the circumstances. While in the case of the seasonal credits to which reference has been made, and in the case of interim credits placed at the disposal of real credit institutions to enable them to finance loans on mortgage, we were compelled on financial grounds to enforce the contractual dates of repayment, in the case of "personal" credits we were ready normally to extend to 1930.

The maximum interest rate for agriculturalists prescribed by us in the customary manner, was amended three times in the course of 1929 in accordance with the alteration of the Reichsbank discount rate (7, 6½, 7½ and 7 per cent). Our rate was from the beginning of the year

to January 12 ..... 9½ per cent
to April 30 ..... 8½ " "
to November 2 ..... 9½ " "
and from then until the end of the year 9½ " "

In accordance with the further reduction of the Reichsbank rate to 6½ and 6 per cent, our rate was reduced by ½ per cent on January 14 and February 5, 1930 respectively, so that it now stands at 8½ per cent.

The instalment credits series B made available by us in the spring of last year were drawn upon in full.

The interest rates on our instalment credits (7½ and 8 per cent), which are considerably below the rates which agriculturalists have to pay for "personal" credits and "real" credits, were maintained unchanged.

In addition to the RM 20,000,000 of dairy credits furnished by us out of our own resources in previous years, a further RM 10,000,000 have been made available for 1929 and 1930 to carry on the system of dairy credits throughout the territory of the Reich.

These credits are distributed in accordance with the second series of directives issued by the Minister of Agriculture of the Reich at cheap interest rates out of Reich funds. In virtue of these directives individual applications for credits at cheap interest rates are examined more thoroughly by the banks of first instance than was originally the case when the system was first introduced. For this purpose committees, comprising representatives of the co-operatives, private concerns, the lenders, and (where necessary) commercial interests as well, have been appointed by the Chambers of Agriculture.

In the granting of dairy credits we attach fundamental importance to the satisfactory conduct of dairy undertakings, not merely as regards technical aspects but above all from the standpoint of the milk trade and commercial practice. For this reason, if we consider that the position of the undertaking is not sufficiently clear (particularly in the case of larger schemes), we arrange for a local enquiry by dairy experts. We have also continued - acting upon instructions from the Minister of Agriculture - to promote the granting of dairy credits at cheap

interest rates by third parties. Altogether we have now dealt with 899 such cases in accordance with the directives issued, representing a capital value of some RM 25,000,000.

The new directives of the Minister of Agriculture amend the original directives in another respect. Credits are no longer granted at an interest rate reduced down to 5 per cent - a system which causes the grants required to fluctuate in accordance with the variation of interest rates: the amount of the interest supplements paid by the Reich is fixed instead at a maximum. This means that when the Reichsbank discount rate rises, dairy undertakings may have to pay interest exceeding 5 per cent for their credits; conversely, when the Reichsbank rate falls, the supplement paid by the Reich is reduced, leaving the dairy undertakings to pay 5 per cent for the credits.

With the object of limiting the issue of bills we experimented with harvest credits against collateral in the form of harvest stores pledged or assigned to us. Preference was given to security in the form of warrants, bills of lading and way-bills. Our experiences have hitherto been satisfactory, despite the inadequacy of existing legislation.

III. There has been no change in our participations in concerns operating for the purpose of promoting the sale and utilisation of agricultural products, particulars of which were furnished in the previous report, with the exception of a contribution of RM 230,000 (the same sum as the Preussenkasse contributed) to the increase of the capital of the Hefft'sche Kunstmühle A.G. of

Mannheim. This company has absorbed the J. Syberberg A.G. of Cologne, which also belongs to the Deutsche Mühlenvereinigung A.G. For the business year 1929/30 the Hefft'sche Kunstmühle A.G. paid a dividend of 10 per cent.

The Getreide-Industrie und -Commission A.G. during the past year devoted itself on a far larger scale to financing the sale of home-grown cereals. The company has contributed as far as possible to alleviating the depression of the prices for German cereals, which was the unfortunate result of conditions on the world market and of a large German harvest inadequately protected by tariffs. Apart from this the measures designed to improve sales and the financing of sales of home-grown cereals have not advanced beyond the initial stage, so that it is impossible as yet to judge the success of our participation in the concern.

The Ostpreussische Fleischwarenwerke A.G. of Königsberg, East Prussia, in which we participated last year, has completed its plant and commenced operations (on a reduced scale to begin with) at the end of November.

The Finanzierungsgesellschaft für Landkraftmaschinen A.G., which has a capital of RM 2,000,000 of which we hold one half, distributed a 6 per cent dividend for the business year 1928/29 and continues to operate satisfactorily.

IV. In our <u>"real" credit business</u> the conditions prevailing on the foreign capital market (described in section I) prevented us from contracting another foreign loan in 1929, although such a loan was clearly needed in order to convert the first instalment

of the Golddiskontbank credits. At times the quotations of our bonds were deplorably low. Towards the end of 1929 and beginning of 1930 a slight improvement was to be observed, but even now the difference between the present quotations and the rate of issue is considerable. A comparison with the quotations of other similar securities - particularly with the bonds of American companies - shows that the rate of our bonds is not an exception due to special causes. On the contrary, the general stock exchange situation in the issuing countries is responsible for the present state of affairs.

During the year under review the distribution of the second, third and fourth <u>American loans</u> among the borrowers was completed. Anticipatory redemption on the part of individual borrowers enabled us to take up a corresponding amount of other mortgages in substitution in accordance with the provisions.

The amounts of the individual loans redeemed as at December 31, 1929, is shown in the balance sheet: redemption aggregate $ 4,173,000 out of the original debt of $ 131,000,000 nominal.

The preparations begun in 1928 for the liquidation of the first instalment of the <u>Golddiskontbank loan</u> (see report for the business year 1928) enabled us to carry out liquidation smoothly on the whole. In the process we were assisted by the following measures:

1. We were successful in getting the Bank for the German Industrial Debentures to take over RM 10,400,000 nominal of mortgage bonds of all types of real credit institutions. The institutions in question were thus afforded an opportunity of selling their bonds on the explicit understanding

that the proceeds obtained were to be devoted to the conversion of the Golddiskontbank credits.

2. Out of our own resources we purchased RM 8,800,000 nominal of mortgage bonds, which we took over from the real credit institutions concerned subject to the stipulation made in paragraph 1.

3. It transpired that a number of borrowers redeemed the second and third instalments of their Golddiskontbank credits simultaneously with the first. In part this was due to the desire of borrowers to save by converting their debts into a mortgage bond loan at a single stroke, instead of distributing the conversion over the three years allowed for repayment. This method had the additional advantage of relieving borrowers of anxiety with regard to the conversion of the second and third instalments. On the other hand they ran the risk of losing more favourable terms of conversion in 1930 and 1931. But in view of the general economic position this risk was insignificant and developments up to the present have justified the policy of those who made efforts to convert the whole of their Golddiskontbank credits into a long-term mortgage bond loan. The proceeds of the anticipatory redemption of the second and third instalments were employed in postponing the redemption of the first instalment in the case of other borrowers; repayment of one half is deferred until June 1, 1930 and of the other half until June 1, 1931.

Advantage has been taken of these facilities on a very large scale. Altogether RM 22,191,300 of the first instalment have been postponed as to one half on June 1, 1930, and June 1, 1931, respectively. The second and third instalments were not increased by this measure, as these deferred payments are off-set by a corresponding amount of anticipatory repayments of the second and third instalments.

4. In order to facilitate liquidation we have accepted anticipatory repayments at all times and have only calculated interest up to the day on which the money was received. In this way agriculturalists were relieved of the obligation to pay interest in full for the current half year, even in the event of anticipatory repayment, imposed under the terms of the loan.

All these measures helped to complete the liquidation of the first instalment by the date fixed. Only in the case of a few institutions were we obliged to grant respites for repayment beyond the date fixed to a total amount of RM 2,373,665. We ourselves punctually redeemed the whole of the mortgage bonds on the date of maturity (July 15, 1929).

We shall devote special attention and care to the conversion of the Golddiskontbank credits still outstanding into long-term loans.

Current repayments have reduced the amount still outstanding in respect of the second instalment of the Golddiskontbank loan maturing in July of the present year to approximately RM 100 millions.

In view of the persistent difficulties of agriculture and the very unsatisfactory market for mortgage bonds we have granted the institutions entrusted with the distribution of the Golddiskontbank credits a respite until July 1, 1931 in respect of RM 30 millions of the 100 millions still outstanding, on the understanding that a similar respite is granted to some of the borrowers. We have also declared our willingness in principle to convert the outstanding credits of July 1, 1931 into a long-term loan, on terms to be discussed when the time comes, unless the capital market and in particular the mortgage bond market shows a considerable improvement in the meantime.

We hope that - if we advance RM 30 millions out of our own resources in this way - the other parties concerned (real credit institutions and agriculturalists) will be able to raise the remaining 70 millions.

V. Conversion credits. The conversion credits of the year 1928 to the States of Thuringia, Hesse, Oldenburg and Lippe were absorbed very slowly as a result of the complex procedure involved in the approval of applications for such credits under the directives established by the Reich. Up to December 31, 1929, a total sum of RM 4,364,850 (including the RM 2.3 millions paid out in the previous year) had been paid out, leaving a sum of RM 435,150 available for further use. Up to the present RM 50,703.83 have been repaid.

During the year under review we took part in the relief measures for East Prussia by placing the sum of RM 2 millions

at the disposal of the Girozentrale (communal bank) for the East Mark in Königsberg, to be utilised for the repayment of short-term credits at high interest rates contracted by peasant undertakings. These peasant credits have been granted for 13 years and are redeemable as from the fourth year in equal instalments. The interest rate is 7½ per cent for the ultimate borrower, plus 0.5 per cent for administrative costs, bringing the total up to 8 per cent. The Reich grants assistance in such a way that agriculturalists do not have to pay more than 4 per cent per annum in respect of interest and subsidiary charges. The Reich and Prussia have given guarantees to the savings banks in respect of these credits and together are liable up to a maximum of 75 per cent in respect of any losses on capital, interest and subsidiary payments. The allocation of these credits is decided by committees on which the Reich and the Prussian authorities, the co-operatives and agriculture are represented. Decisions have to be confirmed by the Prussian Commissioner for the support of the East Prussian commodities market. The credits are restricted to peasant undertakings with a total value of not more than RM 15,000. No calls were made upon us during the year under review.

VI. Permanent Agricultural Improvement Credits (Meliorationsdauerkredite). Of the RM 15 millions of general improvement credits granted out of our own resources, RM 12 millions represented a formal liability of the Reich; but during the year under review the Deutsche Boden-Kultur A.G. assumed direct liability for the whole amount. Simultaneously a uniform schedule of repayments was

agreed upon, in virtue of which the credits are to be redeemed in 20 years by means of equal semi-annual instalments commencing October 31, 1929.

The credits for linking up of ditches and roads in connection with the amalgamation of pieces of land have not been increased. On the other hand the credit for promoting individual reclamation of waste land was again raised by RM 0.5 millions for the Province of Hanover. In this case also the credits have been supplied through the Hannoversche Landeskreditanstalt. The rate of interest (4½ per cent) and the duration of the loan (10 years) remained unchanged. Up to the end of the year the credit had been drawn upon in the amount of RM 15,400.

At the request of Oldenburg we made a credit of RM 150,000 available to that State for the reclamation of waste land by individuals.

The special credit to promote the cultivation of osiers, made available to the Governments of the States in 1926 for a period of 5 years in the amount of RM 1.2 millions, was drawn upon up to the end of 1929 in the amount of RM 1,183,415.

Interim Agricultural Improvement Credits (Meliorations-zwischenkredite). As the conditions prevailing on foreign money markets in 1929 again prohibited us from contracting our proposed foreign loan for agricultural improvements, although all technical preparations had been made for the loan, we were obliged to grant a general extension of the interim credit of RM 20 millions made available in 1928. Up to December 31, 1929 this credit had been

drawn upon to a total amount of RM 18,422,000. The rate of interest (7 per cent) remained unchanged.

In order to promote agricultural improvements to the utmost possible extent we made a further RM 5 millions available in July 1929, and in December 1929 additional interim credits for the spring in the amount of RM 7.5 millions (since raised to 10 millions) were made available. The terms are the same as in the case of the original credit of RM 20 millions, but the rate of interest is 7½ per cent. The Minister for Agriculture of the Reich has granted facilities for cheap interest in this case also, so that the ultimate borrower does not have to pay more than 4½ per cent per annum in respect of interest and subsidiary charges.

The interim credit of RM 5 millions made available in July 1929 had been drawn upon in the amount of RM 1,717,200 by December 31, 1929. The credit of RM 10 millions will not be drawn upon until the spring of 1930.

A credit of RM 2 millions was made available for the marsh districts in Schleswig-Holstein and Hanover for the manuring of land with marl by means of the so-called blue-sand machine which is designed to increase the fertility of the marshy soil by the addition of lime and sand. The borrowers are the marl associations, formed to carry out the work of manuring. The terms of the credit are the same as those of the interim credits of RM 20 millions. Cheapened interest rates were granted on the same scale. Up to December 31, 1929 the credit had been drawn upon in the amount of RM 1,775,000.

The terms of the interim credit granted to the Deutsche Bodenkultur A.G. have been adapted to those governing the RM 20 millions on interim credits. We have also made arrangements for this credit to be made available to the credit institutions responsible in the individual States for the distribution of the 20 million credit. The cheap interest rates facilitated by the Reich are granted in the case of this credit as well.

The granting of cheap interest rates on improvement credits made available by third parties, to which reference was made in the previous report, has assumed considerable proportions. Approximately 500 cases were dealt with up to December 31, 1929.

VII. Credits for Agricultural Settlements. The Settlements Committee of the Deutsche Rentenbank-Kreditanstalt, responsible for granting interim credits for agricultural settlements, granted RM 47,738,370 in 1929 out of funds provided by the Reich. Including the RM 123,737,691 granted during the years 1926 to 1928, a total sum of RM 171,476,061 has now been made available for settlements. Of this sum purchase credits represent RM 127,621,152, credits for improvements RM 35,337,734, credits for the initial establishment of settlers RM 1,493,675, and general and special advances RM 7,023,500. An amount of RM 156,291,502.61, for which the requisite evidence and security was furnished, had been paid out by the end of the business year.

The financial position of the Reich was responsible for a standstill in the supply of funds twice during the business year (in May-August and in December 1929). In co-operation

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The financial position of the Reich was responsible for a standstill in the supply of funds twice during the business year (in May-August and in December 1929). In co-operation

with the Preussische Staatsbank we succeeded in overcoming the difficult period by respectively advancing one-half of the funds required, viz. RM 7,074,007 during the period May 29 to August 10 and RM 2,239,111 during the period December 9 to 31. The sums thus advanced were repaid by August 12, 1929 and January 11, 1930 respectively.

With the help of the credits granted 39,853 hectares of land were purchased during the year under review, at an average price of RM 1,022.30 per hectare. The purchasing price increased by RM 18.30 per hectare by comparison with the average price during the period 1926 to 1928. This is due to the quality of the land available for settlement, as the large area put up for sale on the estate market allowed of selection. The settlement companies attached particular importance to the purchase of estates capable of sub-division without leaving odd pieces of territory. The Settlements Committee refused four applications for credits in the amount of RM 354,925 and an area of 467 hectares. The following table shows the distribution of purchases among the various States and provinces, and the prices paid.

LAND PURCHASED AND PRICES PAID DOWN TO DECEMBER 31, 1929.

Province	Size "Morgen"	Purchase price RM	Credit granted RM	Average price per "Morgen" RM
East Prussia	231,789	54,471,772	42,829,861.59	235.--
Frontier Mark	43,536	10,059,752	8,789,046.98	231.05
Pomerania	42,951	8,044,310	6,655,942.--	187.30
Mecklenburg-Strelitz	3,531	587,843	587,843.--	166.50
Mecklenburg-Schwerin	71,360	18,791,833	13,031,500.--	263.35
Schleswig-Holstein	41,691	13,332,081	8,798,650.--	319.80
Brandenburg	29,106	7,934,812	6,932,850.--	272.60
Lower Silesia	70,066	16,475,212	13,566,631.--	235.15
Upper Silesia	87,402	26,920,663	24,421,737.35	308.--
Saxony (Free State)	2,066	724,400	520,320.--	350.65
Bavaria	7,408	1,748,646	1,486,770.--	236,05
	630,906	159,091,324	127,621,151.92	252.15

The Minister of Labour issued new directives, dated June 21, 1929, with regard to the granting of funds. In addition to a number of changes, which past experience rendered advisable, the interest rate of settlement credits was raised from 4 1/8 per cent to 5 per cent. This brings the interest rate up to a level with that in force in Prussia. The new directives apply to all settlement schemes for which a purchase credit was granted after April 1, 1929.

The following table shows the results with regard to settlements down to October 1, 1929.

TABLE SHOWING THE NUMBER OF SETTLEMENTS PLANNED IN THE CALENDAR YEARS 1927 TO 1929 AND THE AREAS CEDED TO APPLICANTS.

New Settlements

Year	Total		Number of new settlements in hectares								
	Number	area in hectares	Up to 0.5	0.5 to 1	1 to 2	2 to 5	5 to 10	10 to 20	20 to 50	50 to 100	Over 100
1	2	3	4	5	6	7	8	9	10	11	12
1927	1,046	17,675	7	72	74	93	70	558	143	16	13
1928	1,916	27,496	24	175	186	183	165	864	272	27	20
1929	3,203	38,223	71	205	477	381	320	1,474	228	30	17
	6,165	83,394	102	452	737	657	555	2,896	643	73	50

Settlements applied for

Year	Settlements applied for: total in hectares	Number of settlements applied for: in hectares.					
		under 0.5	0.5 to less than 1	1 to less than 2	2 to less than 5	5 to less than 10	10 and over
1	2	3	4	5	6	7	8
1927	1,147	27	124	296	336	114	250
1928	1,000	15	103	185	439	203	55
1929	1,187	19	85	162	286	330	305
	3,334	61	312	643	1,061	647	610

At its meeting of September 13, 1929, the Managing Board decided to grant RM 10 millions out of the resources of the Rentenbank-Kreditanstalt for interim credits for agricultural settlements for the current year. At the same time it was proposed to make

the same sum available in the next two years. This means that the threatened restriction of interim credits out of Reich funds in consequence of the financial difficulties of the Reich will be largely made good by the Rentenbank Kreditanstalt, and that it will be possible to continue to make adequate provision for those settlement areas in which the Reich has decided to reduce its own credits. The interim credits granted by the Rentenbank-Kreditanstalt bear interest at the Reichsbank rate. The Reich bears the cost of the difference over and above 5 per cent. The negotiations on this question lasted for a considerable time, so that it was not possible to draw upon these credits during the past business year. The first credits were granted in February 1930 in the amount of approximately RM 2½ millions.

In addition to the RM 25 millions mentioned in the previous report, we succeeded during the past business year in securing a further RM 10 millions to finance the <u>permanent credits to refugee settlers.</u> The funds are placed at our disposal by the employees' insurance institute of the Reich. In addition the Golddiskontbank has granted us a short-term credit of RM 12 millions. The long-term loans serve in part to discharge short-term liabilities. The negotiations with regard to the discharge of the balance have not yet been concluded. The Settlements Committee has dealt with 2,127 applications out of the 3,164 hitherto received. 67 applications had to be rejected. 627 settlers renounced their claim to permanent credits. Up to the present RM 35,281,736.21 have been paid out in respect of such credits.

During the year under review there was no change in the credits granted to enable agriculturalists to retain their property.

Credits for separate dwellings for the agricultural population. In accordance with § 3 No. 1 c of the Law concerning the institution of the Deutsche Rentenbank-Kreditanstalt the Government of the Reich has designated the Deutsche Landvolkbank as the institution through which loans against a first mortgage on agricultural labourers' dwellings may be granted. Up to the end of the business year 26 applications representing a total sum of RM 53,040 had been approved. The loan of RM 300,000, to which reference was made in the report for 1928, will be allotted in the course of 1930. Here again the Reich is granting assistance to cheapen interest rates.

The general meeting of the Rentenbank-Kreditanstalt, in conformity with § 11 paragraph 4 of the Law, voted a sum of RM 1.6 millions out of the net profits for the business year 1928 for agricultural purposes. With the approval of the Government and of the Reichsrat this sum was utilised as follows.

RM 100,000 were allotted to the Kaiser Wilhelm Institut in Müncheberg for research in cattle breeding, etc.

For the promotion of settlements RM 900,000 were assigned, in conformity with the decision of the general meeting to the Gesellschaft zur Förderung der inneren Kolonization (Society for the promotion of settlements in Germany), subject to the condition that the funds in question are devoted to settlements of general

utility in hard-pressed agricultural districts. A Committee (on which the Rentenbank-Kreditanstalt is represented) appointed by the Society decided to distribute the funds as follows: RM 300,000 to the Mecklenburgische Landgesellschaft, RM 100,000 to the Bayerische Siedlungs- und Landbank, RM 200,000 to the Pommersche Landgesellschaft, RM 150,000 to the Ostpreussische Landgesellschaft and RM 150,000 to the Grenzmarksiedlung.

To promote agricultural training in rural districts RM 300,000 were distributed. The distribution was based upon the so-called "density of peasant population" (i.e. the ratio of the number of agricultural undertakings with a cultivated area of 5 to 100 hectares to the total number of undertakings) in order to meet the request of the Reichsrat that the educational needs of the small and medium sized undertakings should receive special attention.

Allocations for schools were made as follows:-

	RM
Prussia	167,000
Bavaria	65,000
Saxony	11,000
Wurtemberg	16,000
Baden	12,000
Thuringia	9,000
Hesse	7,000
Mecklenburg-Schwerin	4,000
Oldenburg	5,000
Brunswick	2,000
Anhalt	1,000
Lippe	1,000

The RM 100,000 granted for research in milk has been assigned to the institutes in Kiel, Königsberg, Halle, Weihenstephan

and Wangen. The RM 100,000 made available for the extension of the expert advice service for the milk trade and for courses for the training of dairy managers and other persons have been assigned to institutes in Münster (Westphalia), Cleves, Oranienburg, Darmstadt, Güstrow, Weiler (Allgäu) and Sausseningken.

The RM 100,000 for the cultivation of selected seed strains conducted by the East Prussian Chamber of Agriculture in Hasenberg have been paid out.

EXPLANATORY NOTES ON THE ACCOUNTS FOR THE YEAR.

The balance sheet and profit and loss account call for the following observations with regard to individual items.

Credit balances with other banks include funds for credits granted but not yet drawn upon, cash holdings of the Deutsche Rentenbank, sums to be invested shortly in securities with the object of strengthening the separate special reserves, general reserves, and lastly the considerable sums by which the interest not yet due on bonds exceeds the corresponding interest on mortgage loans, and the amount by which "other liabilities" exceed "other assets".

The holding of securities has increased by the amount of the German fixed interest bearing securities (Pfandbriefe) deposited with the Reichsbank as a separate special reserve for the bondholders of our four American loans in conformity with the terms thereof, and by bonds of our own loans purchased by is for purposes of amortisation.

Our shareholdings (see section III of the report) have been prudently valued. The instalment credits represent the balance of the economic credits forming part of the property of the Deutsche Rentenbank, which we administer in our capacity of trustee and have not yet been able to recover.

Where mortgage cover is not shown for the bonds issued in respect of mortgage loans, cash cover has been provided.

The difference between Interest not yet due from mortgage loans and the corresponding Interest not yet due on bonds and mortgage bonds is due to the fact that interest from loans was already collected in 1929 but not utilised for the redemption of interest coupons until January 1930.

Other assets and other liabilities include sundry items and contra-entries. Other liabilities also include the loans contracted by us abroad for the purchase of our bonds for purposes of amortisation. They also include the two semi-annual instalments for the year 1929 for the rationalisation and reform of the agricultural co-operative system (see the end of section I of the report).

The capital has increased by RM 41.7 millions to a total of RM 393,900,000. Of this sum RM 10,000,000 are derived from the available funds of the Deutsche Rentenbank in virtue of a decision of the Board of Control of the Rentenbank of February 27, 1929, in conformity with § 9 of the Law on the Liquidation of the Rentenbank. The remaining RM 31.7 millions are derived from interest payments by the owners of mortgaged land, transferred to us in conformity with § 9 of the Liquidation Law by December 31, 1929.

Of these RM 31.7 millions, arrears for 1928 represent 7.8 millions and 23.9 millions represent payments for 1929. The RM 1.1 millions of interest in arrear for 1929 have in the meantime been received, so that at the time of writing this report the capital amounts to RM 395,000,000.

The principal reserve and the pensions fund have been increased by the appropriation of net profits proposed in the previous report and approved by the general meeting. RM 11,542,876.36 were placed to the special reserve after the deduction from the net profits for 1928 of the sum of 1.6 millions, the disposal of which was decided by the general meeting (see end of the report).

Reserves include the non-recurrent receipts obtained in passing on the proceeds of our loans.

	RM	RM
Out of the net profit of		16,014,322.--
the following appropriations are to be made:		
at least 25 per cent to the principal reserve under Art. 11, 2 of the Law	4,003,580.50	
to the special reserves to be made up to 5 per cent of the bonds outstanding on December 31, 1929, in conformity with Art. 11, 3 of the Law	2,455,830.90	6,459,411.40
out of the balance of		9,554,910.60
we proposed to increase the pensions fund as in the preceding year by		250,000.--
and to appropriate the balance of		9,304,910.60

to the principal reserve in conformity with § 11, 2 of the Law, in order to bring this reserve into better proportion to the capital.

The sum which, under the terms of the American loans, has to be withdrawn from the special reserves and constituted into a separate special reserve invested in securities, will during the current year be increased by RM 2,097,690 to a total of RM 24,656,478.

Personnel. Herr Geheimer Landesökonomierat Hohenegg has replaced Herr Landesökonomierat Dr h.c. Johannssen, who retired at the end of the year under review, on the Managing Board.

The number of employees, including the domestic staff, increased during the past year from 185 to 266, to which must be added 3 members of the Management and 6 heads of departments (Abteilungsdirektoren). The increase is due to the greater volume of work in all departments with the exception of the "real" credits department.

THE MANAGEMENT
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT
(CENTRAL BANK OF AGRICULTURE)

KISSLER LIPP SZAGUNN.

We agree with the above report and with the proposal of the Management for the distribution of the net profit.

THE MANAGING BOARD
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT
(CENTRAL BANK OF AGRICULTURE)

The Chairman

LENTZE.

DLC.

BALANCE
OF THE DEUTSCHE
(Central Bank
AS AT

ASSETS			RM
1. Cash in hand, Giro balances with the Reichsbank, postal cheque balances and credit balances with other banks			139,546,841.88
2. Bills and Treasury certificates			15,593,857.11
3. Securities			38,924,483.29
4. Foreign exchange			516,055.66
5. Share holdings			
a) in the Finanzierungsgesellschaft für Landkraftmaschinen A.G.	RM	1,000,000.--	
b) in accordance with § 3 figure 3a of the Law on the Rentenbank-Kreditanstalt	RM	9,455,000.--	10,455,000.--
6. "Personal" credits			
a) not exceeding 9 months	RM	151,438,643.78	
b) instalment credits	RM	112,449,111.09	
c) other credits for longer terms (dairy credits)	RM	18,327,012.05	282,214,766.92
7. Liquidation credits			13,164,695.20
8. Conversion credits			4,314,146.17
9. Agricultural improvement credits			
a) interim	RM	27,625,381.84	
b) permanent	RM	20,184,432.15	47,809,813.99
10. Settlement credits			
a) interim	RM	154,761,999.26	
b) permanent	RM	37,988,585.51	192,750,584.77
11. Mortgage loans			
from funds of the first American loan			97,755,888.15
from funds of the Rentenbank-Kreditanstalt on the same terms			3,089,082.06
from Golddiskontbank loan funds			211,697,556.--
from funds of the second American loan			122,497,544.55
from funds of the Rentenbank-Kreditanstalt on the same terms			530,707.60
from funds of the third American loan			205,607,191.58
from funds of the Rentenbank-Kreditanstalt on the same terms			2,239,227.75
from funds of the fourth American loan			106,668,552.82
from funds of the Rentenbank-Kreditanstalt on the same terms			1,255,180.79
12. Deposited with the Reichsbank			
a) as cover for bonds	RM	157,699.60	
b) sums retained until the extinction of revalorisation mortgages	RM	53,137.01	210,836.61
13. Interest not yet due on mortgage loans			12,571,746.78
14. Other assets			4,113,719.90
			1,513,527,479.58

SHEET

RENTENBANK-KREDITANSTALT

of Agriculture)

DECEMBER 31, 1929

DOC. 332

L I A B I L I T I E S			RM
1. Capital			393,900,000.--
2. Principal reserve			13,155,946.45
3. Special reserves for bonds issued including separate special reserve:			35,417,839.10
a) for the first American loan		RM 5,035,380.--	
b) for the second American loan		RM 6,168,120.--	
c) for the third American loan		RM 10,279,920.--	
d) for the fourth American loan		RM 1,075,368.--	
4. Reserve for share holdings in other institutions			1,000,000.--
5. First American loan			
7 per cent bonds	U.S.A.	$ 25,000,000.--	
amount amortised		$ 1,725,000.--	
		$ 23,275,000.--	97,755,000.--
6. Golddiskontbank loan 7 per cent mortgage bonds			224,800,000.--
7. Second American loan			
6 per cent bonds	U.S.A.	$ 30,000,000.--	
amount amortised		$ 797,000.--	
		$ 29,203,000.--	122,652,600.--
8. Third American loan			
6 per cent bonds	U.S.A.	$ 50,000,000.--	
amount amortised		$ 1,048,000.--	
		$ 48,952,000.--	205,598,400.--
9. Fourth American loan			
6 per cent bonds	U.S.A.	$ 26,000,000.--	
amount amortised		$ 603,000.--	
		$ 25,397,000.--	106,667,400.--
10. Credit balances of the Reich			158,044,261.58
11. Loans for permanent settlement credits			35,628,249.79
12. Deutsche Rentenbank			51,674,458.82
13. Sums to be paid out upon the extinction of revalorization mortgages			53,137.01
14. Unredeemed interest coupons			391,629.--
15. Interest not yet due on bonds and mortgage bonds			16,503,953.03
16. Reserves			4,801,507.64
17. Pensions Fund			871,024.20
18. Other liabilities			28,597,750.96
19. Net profit			16,014,322.--
			1,513,527,479.58

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT

AS AT DECEMBER 31, 1929.

Dr	RM	Cr	RM
Cost of Management	1,916,121.69	Interest on credits and short-term investments	16,297,370.--
Stamp dues, costs of issue and other payments in respect of loans	1,738,542.53	Interest on securities and foreign exchange	2,267,823.69
Interest on loans	52,609,217.41	Interest on mortgage loans	53,403,054.47
Writing down securities	1,021,007.10	Commission for the conclusion of loans, contributions to costs of management, etc.	1,330,962.57
Net profit	16,014,322.--		
	73,299,210.73		73,299,210.73

Transl. 7976

DOC. 332

I.I.9. DOC. 333

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 5, 1930.

REICHSTAG SPEECH OF THE CHANCELLOR OF THE REICH, DR BRÜNING, ON APRIL 1, 1930.

(Translation from official report)

Dr Brüning, Chancellor of the Reich: Ladies and Gentlemen! I have the honour to present to you the members of the new Reich Government whose names were just made known to you by the President of the Reichstag. In doing so I take the opportunity of expressing to the retiring Chancellor the sincere respect of the new Government for his self-sacrificing, thoroughly objective work in the service of the country.

(Laughter from the Communists - Bravo! in the Middle - cries from the Communists - President's bell)

President Löbe: Please do not interrupt continually.

(Renewed cries from the Communists) Herr Torgler, please be quiet.

Dr Brüning, Chancellor of the Reich: In accordance with the mandate given me by the Reich President, the new Reich Cabinet is bound to no coalition. Naturally, however, the political forces of this House could not be disregarded in its formation. The Cabinet is formed for the purpose of solving within the shortest possible time the tasks which, in the general view, are of vital importance to the Reich. It will be the last attempt to effect the solution with this Reichstag.

(Hear! hear! from the Communists)

Nobody can take the responsibility for a postponement of the vitally necessary work. Speedy action is imperative. Therefore you will not expect from me to-day any exhaustive statements on the details of the contemplated measures.

"Cry from the Communists: Against the workers!)

The new Government will actively represent Germany's vital interests in the organic further development of the present foreign policy.

(Hear! hear! on the Extreme Right)

National self-respect and confidence in the inner strength of our own people are the bases of this policy, together with the realisation that the recovery of Germany is attainable only in peaceable collaboration with all nations.

(Very good! from the Center)

Loyal execution of international agreements,

(Hear! hear! from the Extreme Right)

clarification and further development of our relations to all countries with whom we have friendly, treaty and economic relations, and the promotion of international collaboration, particularly in the economic field, in order to alleviate the difficult position of the German economy, which is closely linked up with the world economy - these are the principles of our foreign policy.

(Very good!)

The ultimate goal is and will remain an economically sound and politically free Germany, on a footing of equality, which can complete its reconstruction under the safeguard of peace and which must be an indispensable factor in the community of nations.

(Loud applause from the middle parties - Cry from the Communists: Long live the new armored cruiser!)

At this moment the thoughts of the Reich Government turn with particular cordiality to the Rhineland, whose final liberation from the occupation is immediately impending.

(Loud cries of Bravo! from the middle parties - Interjections from the Communists)

The loyalty of the population of the occupied areas in very difficult hours will not be forgotten nor is the relief for their distress coming to an end.

(Bravo! from the Center)

The earliest possible reincorporation of the Saar district, in order to complete the work of liberation commenced, is the goal of the negotiations energetically to be furthered by the Reich Government.

(Bravo! from the Center)

Internally, our situation gives occasion for particular watchfulness in view of the social and economic distress and of the radical tendencies connected therewith. These tendencies cannot be combated by the use of State means alone; they must be checked primarily through constructive economic work.

(Very true! from the Center)

The Reich Government feels itself strong enough to counteract all dangerous threats with the means which the basic law of our State order, the Weimar Constitution, puts at the disposal of the German republic.

(Loud cries of Bravo! from the middle - Cries from the Communists: Article 48!)

The Reich Government heeds with great earnestness the appeal for national unity addressed to the German people by the Reich President in his proclamation of March 13th.

(Bravo! from the coalition parties)

Bitter struggles on questions of foreign policy have torn the German people apart. Now that these fights have been decided, let us commence the work of conciliation,

(Herr Stoecker: The fraternal kiss for Hugenberg!)
Our action will center around all that forces our nation to think and act in unison and to stick together. All eyes must be fixed on the common distress, and the remedies to be jointly decided on, and not on the things that divide.

(Very good! from the Coalition Parties - Loud cries from the Communists)

All financial and economic measures which have not yet been settled as a consequence of the long negotiations on the Young Plan must be carried out at once. Rehabilitation of the financial and Treasury position and relief for the States and communes in their difficult financial position are the most urgent things. Without speedy measures to put the Treasury and financial position in order there is no guarantee for the urgently necessary relief of the economy and for the alleviation of unemployment.

(Very true! in the Middle)

Through the taking over by this Government of the draft of a Reich budget law for the financial year 1930 which was prepared by the present Reich Finance Minister, the work of the Reichsrat can be carried out within the fixed time-limits. The Reich Government takes over the cover program belonging to these budget estimates.

(Hear! hear! from the Communists)

These cover bills, in the form of the last compromise proposal of the parties which constituted the previous coalition, make up, together with the financial guaranteeing of the unemployment insurance

(Cry from the Communists: of reduction in benefits!)

and the legal provision for tax reduction and economies in expenditures, an indivisible whole. New tax burdens to rehabilitate the Treasury position are bearable only if they form part of a far-sighted general program to be carried out step by step. In a very short time the Reich Government will submit to the competent bodies detailed proposals for economies in all fields of public life.

(Cry from the Communists: Particularly in the social budget!)

These measures of economy will not be characterised by an anti-social spirit.

(Laughter and cries from the Communists: That's nothing but mockery! Mocking the workers! April fool! Jesuitical hypocrisy! - President's bell)

President Löbe: Quiet, please. Will the member who cried Jesuitical hypocrisy! give me his name? - Herr Ewert, I call you to order. Gentlemen (to the Communists), you must not make so many interjections that the Chancellor cannot be understood. (Cry from Dr Neubauer) Herr Neubauer, I call you to order.

(Cries from the Communists)

Dr Brüning, Chancellor of the Reich: Their sole purpose is to contribute to the reduction of taxes, the increase of the productivity of the economy and the improvement of Germany's credit. They are to open the way to the reduction of the real taxes which rest particularly heavily on craftsmen and the whole middle class in town and country.

(Bravo! from the Economic Party)

The Government is filled with grave anxiety regarding the distressing position of the commercial middle-class; in accordance with Article 164 of the Reich Constitution, it will use all its strength to help the commercial middle-class in agriculture, commerce and trade

(Bravo! from the Economic Party)

and to protect it against over-burdening and absorption.

(Renewed cries of Bravo! from the Economic Party - Herr Torgler: That's a bow to Herr Drewitz)

The necessity of a systematic simplification in all fields of the public administration, aiming at efficiency and economy, provides the assurance of and the pre-requisite for the continuance of the social policy which is absolutely recognised by the new Reich Government to be a State necessity.

(Cry from the Communists: Reduction of benefits!)

Financial, social and economic tasks must be approached from uniform standpoints.

From this very standpoint the task of saving agriculture, which is struggling very hard for its existence, is most urgent.

(Loud cries from the Communists)

In particularly threatened parts of the country, the agrarian crisis has taken on the character of a general crisis of people and State. Agriculture, like every other branch of the economy which is indebted and has been plunged into misery and serious danger, has a right to the aid of the State.

(Very true! from the Coalition Parties)

Support and revival of the rural economy are the most effective means of throttling the flight from the land and of

creating new markets and employment for trade and workers.

(Very true! from the Coalition Parties)

This must be the point of departure for removing the pressure on the labour market and the constant threat to the standard of living of the German people.

(Very true! from the Coalition Parties)

Therefore the Reich Government is determined, in continuation and expansion of the measures taken by the previous Reich Minister of Food up to the last few days, to materialise with despatch a comprehensive and far-reaching program of help for agriculture.

(Cry from the Communists: New starvation duties!)

In view of the serious situation it will not shrink from extraordinary means. The Reich Government is convinced that only in this way can the threatening collapse of agriculture be stayed and an important improvement in the present crisis and thereby a change in the condition of this branch of the economy be brought about. In this way also courage to work on his own resources will come back to the German farmer.

The Government has already commenced to prepare the necessary draft laws.

These measures alone do not create the assurance that Germans in the east will again be bound up more firmly with their country and their land. Effective and comprehensive aid for the east, stage by stage together with the general agrarian program, is here a particular necessity.

(Very true! from the Center and Christian Nationalists)

Debt conversion, liberation from debt, a reduction in interest rates and burdens, and the establishment of orderly credit conditions are in the foreground of the plan. The strengthening and maintenance of the existing economic enterprises can alone provide the possibility of a systematic colonisation of farmers and workmen. The Reich Government will submit a special draft law to cover these necessary expenditures without burdening the taxpayer anew. The Reich Government has decided on this action in agreement with the Reich President. Making eastern agriculture sound is the basis for saving the German east to the nation.

(Very true! from the Coalition Parties)

The Reich Government will adhere to these proposals and their very speedy execution under all circumstances. It is determined and able to use all Constitutional means to this end. The work of reconciling the differences between the individual branches of the economy and strata of the population permits of no delay. In its attitude toward the new Reich Government the Reichstag also must take this idea into account. In this hour partisan considerations must be relegated to the background.

(Loud cries - Laughter among the Socialists)

Only an objective attitude toward this program of the Cabinet assures the future of the German people.

(Loud cries of Bravo! from the Coalition Parties - Clapping of hands in the Center - Loud cries of Shame! from the Communists).

DLC.

DOC. 334

I.I. 9.4140

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 19, 1930.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT MARCH 31, 1930.

(cf. DOC. 330)

The following is a translation of the balance sheet of the Rentenbank as at March 31, 1930, as published in the Reichsanzeiger No.91 of April 17, 1930.

ASSETS	February 28, 1930	March 31, 1930
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.--	2,000,000,000.--
Rentenbriefe as on 28.2.30 Rt.M. 899,844,000 as on 31.3.30 Rt.M. 899,844,000		
Loan to the Reich	523,869,300.52	521,827,264.90
Outstanding claim (Rentenbank-Kreditanstalt)	13,178,577.65	12,678,577.65
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	38,880,234.99	39,242,150.34
Real property of the Bank	300,000.--	300,000.--
Miscellaneous assets	2,704,035.95	2,616,014.04

LIABILITIES	February 28, 1930	March 31, 1930
Capital	2,000,000,000.--	2,000,000,000.--
Rentenbank notes in circulation:		
in public circulation	383,548,305.--	381,506,269.--
under earmark with the Reichsbank	70,082,498.--	70,082,498.--
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.--	156,000.--
Reserve out of profits	44,519,873.13	47,280,891.82
Reserves	6,929,913.47	6,941,573.37
Miscellaneous liabilities	617,762.38	17,662.50

After approval of the 1929 balance sheet by the General Meeting on March 26, 1930, the 1929 net profits amounting to RM 2,761,018.69 were put with the reserve out of profits for 1924/27. Under § 7a of the Law for the liquidation of Rentenbank notes a further Rt.M. 2,042,035.62 derived from interest payments by the owners of the land subject to the charge have been paid into the sinking fund of the Reichsbank, the loan to the Reich and the volume of Rentenbank notes in circulation being correspondingly reduced.

Since the coming into force of the Law for the liquidation of Rentenbank notes, Rentenbank notes in the following amounts have been redeemed:

Rentenmarks	345,180,329.33	under § 7a of the Law
"	315,000,000.--	" § 7b " " "
"	88,074,904.06	" § 7c " " "
"	880,334,583.--	" § 11 " " "
Total "	1,628,589,816.39	

Transl. 8145.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 3, 1930.

REPORT OF THE GERMAN RAILWAY COMPANY FOR THE FIFTH BUSINESS YEAR 1929

(January 1 to December 31, 1929)

(cf. DOC. 314)

Complete translation of the first part of the German text published on April 30, 1930.

The year 1929, the fifth business year of the German Railway Company, opened in unfavourable circumstances. The decline of goods traffic, which set in at the end of 1928 as a result of the wage dispute in the iron industry of Western Germany, became more pronounced in the early months of the year under review, for the reason that the exceptionally severe and long winter compelled many industrial undertakings to restrict or suspend operations. Accordingly the receipts from goods traffic at the outset fell short of the receipts of the previous year, despite the tariff increase introduced at the beginning of October 1928. In March there was an appreciable recovery of goods traffic, which was maintained in the ensuing months. But towards the end of the year the deterioration of Germany's economic position again resulted in a decline of traffic and a falling off of receipts from goods traffic. Passenger traffic was somewhat smaller than in 1928, with the exception of the summer months; accordingly the receipts from this branch of traffic failed to reach the estimated amount. Taken as a whole the receipts for the year have approximately come up to the estimates.

As regards expenditure, the severe frost entailed considerable and unexpected additional outlay. A permanent increase of expenditure was imposed upon the Company by a wages award of May 24, 1929, which was declared binding. No income had been provided to meet this expenditure, for the tariff increase introduced in October 1928 was intentionally restricted in the interests of the

German economy to the production of additional income in the amount only of the increased expenditure on salaries and wages incurred in 1927 and 1928. Although the additional requirements of the Company totalled RM 400 millions and the Railway Court had assessed these requirements at RM 489 millions, the tariff increase was only calculated to yield an additional income of 250 millions.

It was only possible to close the business year without a deficit by further cutting down the expenditure on material and abstaining from making the necessary outlay in full under this heading. As already indicated in our previous report, the constant obligation to maintain the expenditure on upkeep and renewal below the requisite level, and the impossibility of making up the arrears which have been outstanding for many years, have reduced the Company to a position which must be dealt with in the interests of sound business management. The Company was consequently obliged to apply to the Government for a tariff increase, calculated to yield RM 55 millions. By September, when this application was rejected, the gap between estimated income and operating expenditure had already widened, some of the expenditure being inevitable and other items being in urgent need of increase. The Company therefore informed the Transport Minister that it would be compelled to apply for a tariff increase calculated to yield RM 150 millions, unless a corresponding relief were granted in conjunction with the reparation settlement. When it transpired that the reconstruction of the finances of the Reich made no provision for the relief of the Railway Company, formal application for the tariff increase was made on February 8, 1930. At the time of writing this report the decision of the Transport Minister had not yet been made known.

In the circumstances the prospects for 1930 are unfavourable. The decline of receipts, which began at the end of 1929, grew even more pronounced up to the time of writing this report. Expenditure was ruthlessly cut down in all departments, and the staff had also to be adjusted by drastic measures to the great decline of operating and traffic requirements.

Operating receipts totalled RM 5,354 millions as against operating payments and upkeep and renewals totalling 4,494 millions. The comparison of operating payments and operating receipts yields an operating co-efficient of 83.93 (83.24 in 1928). Of the operating surplus of RM 860 millions the sum of RM 658,7 millions was devoted to interest and amortisation of the reparation

bonds and RM 3.5 millions to the service of new bonds and loans. RM 91.8 millions were assigned to the legal reserve and RM 25 millions to the reserve for writing off the concession. Of the net profit remaining, RM 75.7 millions are set aside for the dividend on preference shares already issued.

The interest and amortisation of the GM 11 milliards of reparation bonds absorbed RM 658.7 millions. In addition the transport tax in the amount of RM 325.3 millions was paid over to the Reich, of which GM 290 millions are devoted to reparation payments while the balance is retained by the Reich. Further, RM 35 millions of dividend had to be paid on the RM 500 millions of preference shares transferred to the Reich at the creation of the Company in virtue of the Railway Law.

Owing to the state of the German and international money market it was impossible to finance the new constructional work and reconstructions demanded on all sides for the improvement of services and plant, either by means of long-term loans or by the issue of preference shares. The unissued preference shares held by the Company still total RM 919 millions as at the close of the previous business year.

An agreement has been concluded with the Government under § 8 of the Railway Law after lengthy negotiations. In this agreement the Government gives its consent in advance, subject to certain conditions, to the future contraction of loans with a currency extending beyond January 1, 1965. The internal relations between the Reich and the Company are based on the understanding that the burdens to be taken over by the Reich upon the expiration of the concession may not be greater than they would be if the loans were to be redeemed within the space of 60 years. Under this agreement loans may be contracted for the redemption of earlier loans. In this case the period of redemption is calculated from the date on which the previous loan was contracted. The agreement also covers the redemption of the preference shares, the proceeds of which go to the Company.

The funds of the Reichsbahn are administered as before by the Deutsche Verkehrs-Kredit-Bank A.G. in accordance with the directives issued by the Managing Board.

The current upkeep and renewal of the permanent way, the good condition of which is essential to operating safety, was carried out according to plan, despite the fact that the commencement of the work in the spring of 1929 was

considerably delayed by the uninterrupted severe frost. Improved methods of work and perfected appliances have largely contributed to the reduction of the cost of upkeep and at the same time to the higher standard of upkeep. The utilisation of 30 meter rails has proved satisfactory. It is intended to adopt this type of rail by degrees on all lines served by international and super-express (FD) trains.

Technical work was concentrated upon the erection and renewal of plant essential to operating safety, in order that the latter may be guaranteed under all circumstances. It must not however be forgotten that the making up of the still considerable arrears from the war and post-war period cannot be postponed indefinitely. The systematic provision of funds for this purpose remains absolutely essential.

Electric traction on the Berlin Stadtbahn and Ringbahn and on the adjoining suburban lines was inaugurated throughout on May 15, 1929. The advantages of electric services have resulted in a considerable increase of traffic on the Berlin and local lines. It was not however possible to extend electric traction on long-distance lines.

Elsewhere constructional work again suffered from the scarcity of capital. Only small progress could be made with works undertaken by means of insignificant balances still remaining from loans previously granted by the Reich and the States. In the case of works already in hand, more particularly reconstructions and extensions, it was impossible to avoid the extension of the period of construction - needless to say at the expense of the economic return. Among the more important works of this type may be classed the new stations at Königsberg and Liegnitz, which were put into service. Work was begun on the laying of the quadruple track on the Cologne-Duisberg line, which forms part of the programme of constructional work for the Rhine and Ruhr lines.

The rolling-stock as a whole is adequate for traffic requirements. There is however still a scarcity of certain types of rolling-stock. The shortage has only partly been made good by new orders, which have been facilitated by a credit agreement for three years with the Deutsche Wagenbauvereinigung. As a result of the delivery of new 2nd class cars and the progress made with the conversion of old 4th class cars into 3rd class cars, the temporary expedients adopted upon the introduction of the two-class system could be dispensed with.

The work of standardisation and construction to permit of the exchange of parts is being continued. So far as the small resources available permit, the existing rolling-stock is being equipped with stronger fittings, draw-hooks and couplings and with encased buffers. These improvements, together with the almost complete equipment of the corridor cars with electric lighting, improve the security of traffic and the comfort of travel.

In the workshops the measures of economy have proved satisfactory and have contributed to the better quality of the work. As before special attention is being devoted to the further extension of such services and methods of work.

In passenger traffic, which on the whole was slightly smaller than in 1928, the decline in the general volume of traffic was in part offset by an increase of "occupational" traffic, although this is not a profitable branch of business. Almost 56 per cent of the total number of passengers were conveyed at reduced fares. The passenger tariff reform introduced on October 7, 1928 has brought about the expected migration to the 2nd class, and the express and through trains for which a supplement is charged are also much better frequented. In this respect the hopes placed in the tariff reform have been largely fulfilled.

Goods traffic at the beginning of the year fell short of that of the previous year as a result of frost. Whereas the more valuable goods deserted to motor transport in an increasing degree, the transport of bulk goods increased so largely from the end of March onwards that the total volume of traffic in 1929 even exceeded that of 1928. The regular consignment of bulk goods in large freight cars is meeting with increasing support, thanks to the advantages of the system. The transport of single package consignments has been improved by means of the so-called "light freight trains". These trains, which consist of only two cars, travel at great speed and accelerate loading and unloading. The time of transport was also reduced considerably by appropriate traffic and operating measures. In this way and by means of appropriate tariff measures we are endeavouring to counteract the constantly increasing competition of motor traffic. This competition threatens to assume such proportions that it will become extremely difficult, if not impossible, for the Company to fulfil its duties as the leading transport undertaking and to do justice to the general economic interests of the country. It is essential to incorporate motor transport in general traffic on sound economic lines.

This object - for the attainment of which the Company has, among other things, concluded an agreement with the Reichspost for the regulation of passenger and goods traffic by road - cannot however be attained by measures confined to the Company alone.

The normal goods tariffs remained unchanged, both as regards their amount and graduation. In pursuance of its tariff policy the Company endeavoured as far as possible to promote local or general economic interests in Germany by the granting of individual tariff reductions.

The measures and arrangements for the prevention of accidents and for the general improvement of operating safety were further extended in so far as the available resources permitted. As before we consider that it is among our paramount duties to strive for the maximum of security and to avoid accidents, such as were unfortunately to be recorded in the past year, as far as possible.

The staff averaged for the year approximately 12,000 more than in the previous year. The increase is due partly to higher operating and traffic returns, and partly to the shortening of working hours in conformity with the suggestions put forward by the Committee appointed to enquire into operating safety. The increase of staff not only raises the expenditure on salaries and wages, but also the "miscellaneous payments to staff". These include the expenditure on social and welfare purposes, the cost of travel and household removal, payment for the number of hours on the road, compensation for night duty and bonuses for fuel economies. The number of officials has been further reduced according to plan. There have been no changes in the regulations governing the rights and salaries of officials.

Workers' wages, as already mentioned, were raised retroactively as from April 1, 1929, by the Award of May 24, 1929, which was declared binding. The additional expenditure incurred to the Company by this rise of wages, including the corresponding increase of the social charges and the costs of the above-mentioned service facilities, aggregates roughly RM 55 millions per annum. Negotiations with the trade unions for a revision of the skeleton wage agreement remained without result, as the Company was obliged to decline to assume any additional charges over and above those borne under the present agreement.

Every effort has been made to economise by means of simplified business procedure and better organisation in all departments of the administration. The District Management of Würzburg has been abolished and the greater part of its functions have been transferred to the Nuremberg District Management. Uniform regulations covering the whole Reichsbahn system have been established for the organisation of departments, the duties and competence of District Managements, departments and services.

The New Plan adopted by the Governments at The Hague Conferences, which is to take the place of the Dawes Plan, introduces various changes in the Railway Law of August 30, 1924, and in the Company's Statutes, while preserving the autonomous character of the Reichsbahn as an independent economic undertaking within the meaning of article 92 of the Constitution. The changes introduced relate more particularly to the financial structure of the Company, the abolition of foreign members on the Board, and the German Government's right of supervision.

Now, as in the past, we consider our chief duty to be that of administering the undertaking in the future in such a way that the value of the Reichsbahn as one of the most important assets of the Reich will be preserved, and that the Reichsbahn may fulfil its duties to the country as a whole.

The Balance-sheet as at December 31, 1929, and the Profit and Loss Account for the year 1929 call for the following remarks.

The Balance-sheet as at December 31, 1929, has been drawn up in accordance with the provisions of the Railway Law of August 30, 1924. The changes arising in connection with the closing of accounts, the Profit and Loss Account and the Balance-sheet under the provisions of the Railway Law as amended by the Law of March 13, 1930, will not take effect until the next year's accounts are closed, after the coming into force of the amending law. Accordingly the Balance-sheet figures and all other closing figures of the German Railway Company are calculated as before in reichsmarks, whereas the capital of the Company (ordinary shares and preference shares) is expressed in gold marks in conformity with the Railway Law of August 30, 1924, and the

payments in respect of reparation bonds were also made in gold marks. The adjustment in respect of fluctuations of the exchange has in this year resulted in a saving in reichsmarks.

Annual closing of accounts

The annual closing of accounts embraces receipts and payments in the operating account. The expenditure this year, as last year, has been subdivided as follows:

I. Expenditure in respect of operation and maintenance;
II. Expenditure on renewal of plant.

In conformity with the provisions of § 9 of the Railway Law the Company maintained its plant, rolling stock and accessories according to traffic requirements and the progress in railway technique. For the maintenance of the value of the railway property of the Reich the requisite expenditure on renewals was covered out of operating receipts. Further extensions of plant etc. were carried out in so far as the available funds permitted. The obligation to effect renewals corresponds to the writing down undertaken by other business concerns.

Profit and Loss Account

The Profit and Loss Account shows the sum of RM 173,338,861.42 "brought forward from the business year 1928" together with the "operating surplus" of RM 860,337,753.52.

The item on the debit side "service of reparation bonds" is in conformity with the terms of the Railway Law (§ 4) and the Statutes of the Company (§§ 8 and 25). Of the total amount of RM 658,701,010 interest payments absorbed RM 539,737,427.97 and legal amortisation RM 118,963,582.03.

The item "to legal reserve" is prescribed in § 25 of the Company's Statutes. The legal reserve has now reached its maximum amount of RM 500,000,000 prescribed by the Law.

The interest on the credits granted by the Reich, which are dealt with in detail in connection with the Balance-sheet, appears under "service of new bonds and loans". The item "to reserve for writing off concession" is also discussed in the same connection.

The "net profit" (including the balance brought forward from the previous year) amounts to RM 254,613,992.64. The Board has decided to utilise this sum as follows:

A preference dividend of 7 per cent on the preference shares issued	RM 75,670,000.

Of the above sum RM 12,250,000 had to be set aside in respect of an advance payment of a 3½ per cent preference dividend on January 2, 1930, since made, on the preference shares of series IV and V to the value of GM 350 millions. The preference dividends on series I, II, III and the balance of series IV and V are payable on the third day after the Balance-sheet has been approved by the Board.

The balance of RM 178,943,992.64 is carried forward to the new account.

Balance-sheet

The "concession in respect of the (original) property taken over" is valued at an amount corresponding to the Company's legal obligations, i.e.

Ordinary shares		RM 13,000,000,000
Reparation Bonds		" 11,000,000,000
Preference shares	RM 2,000,000,000	
of which ..... represent the part, the proceeds of which go to the Company	" 1,500,000,000	" 500,000,000
	Together	RM 24,500,000,000.

"Legal writing-off" in the case of the item "concession in respect of the (original) property taken over" and "legal amortisation" in respect of the item "reparation bonds" totalled up to

December 31, 1928	RM 149,897,916.67
to this must be added in 1929	" 118,963,582.03
making a total on December 31, 1929 of	RM 268,861,498.70.

As regards "concessions in respect of increase of plant" the Balance-sheet as at December 31, 1928, showed RM 1,280,814,403.01; the increase in 1929 amounted to RM 186,405,201.90 so that the present Balance-sheet shows RM 1,467,219,604.91. The expenditure in question resulted in a growth of plant or an increase of value.

The following remarks may be made with regard to the "preference shares":

1. Issued to the Reich in 1925:

   GM 500,000,000 7 per cent preference shares - Series I
   " 124,000,000 7 " " " " - " II.

   Issued to the Reich in 1926:

   GM 107,000,000 7 per cent preference shares - Series III.

2. There were also issued to the public in 1926:

   GM 150,000,000 7 per cent preference shares - Series IV.

   Issued to the public in 1928:

   GM 200,000,000 7 per cent preference shares - Series V.

No preference shares were issued during the business year 1929.

In accordance with § 4 of the Railway Law and § 8 of the Company's Statutes the "reparation bonds" have been entered for the value of RM 11,000,000,000. Of this amount RM 268,861,498.70 have, as mentioned, been amortised.

The "working supplies" cover the stocks of working material, permanent way and building materials, materials for electrical plant, workshop material and spare parts. The value at the end of 1928 amounted to RM 310,636,782.47. At the end of 1929 the value had increased by RM 4,471,512.81 to a total of RM 315,108,295.28. The valuation was carefully carried out in application of the provisions of the Commercial Code (§ 261 figure I).

"Cash in hand" is shown at RM 88,982,087.96 in the 1929 Balance-sheet as compared with RM 76,912,907.30 in the 1928 Balance-sheet.

The "credit balances with banks" (almost entirely held with the Deutsche Verkehrs-Kredit-Bank A.G.) amounting to RM 532,786,784.31 in 1928, have risen by RM 44,212,901.78 to a total of RM 576,999,686.09. The greater part of this item represents the investment of the legal reserve and comprises the sums held in readiness for the preference dividend shortly falling due.

The item "securities" represents investments in which a further part of the legal reserve has been sunk.

"Bills" dating from 1928 were realised in 1929. No new bills have been taken in.

The claims "on traffic receipts account" are due principally to the fact that receipts outstanding in respect of traffic with other railways cannot be calculated to their entire amount before the close of the year.

"Other claims" are mostly building loans, and loans to the Walchensee-werk and the Mittlere Isar A.G. in Bavaria for the provision of the necessary electric current. Loans which the Company has obtained from third parties, for example from public bodies for the continuance of constructional work already begun, appear under "other debts". The items are shown at their respective values.

The "temporary accounts" in the amount of RM 46,276,867.26 serve to delimit the two business years 1929 and 1930.

The "guarantees" in the amount of RM 39,108,396.02 shown for purposes of information, have been assumed mainly for the promotion of the construction of dwelling houses by the building co-operatives of the Reichsbahn employees, to facilitate the substitution of mortgage loans in the place of advances by the employer. The increase by comparison with the end of 1928, when these guarantees totalled RM 6,372,078.52, is due largely to the inclusion of short-term guarantees for interim building credits for the construction of dwelling houses for railway employees, designed to facilitate the raising of money by the contractor during the period of construction.

"Holdings in other undertakings" have increased by RM 400,000 from RM 17,600,000 to RM 18,000,000. Their value has been estimated with prudence.

The net property of the German Railway concern (Deutsche Reichsbahn), transferred to the Company on October 1, 1924, to the value of RM 756,085,548.72 and shown in the opening balance-sheet as "working reserve", is shown in the present balance-sheet at the same figure as in previous years.

With a view to making provision for writing off the concession in respect of increases of plant, the special "reserve for writing off concession" was increased by RM 25,000,000 from RM 365,000,000 to RM 390,000,000. In calculating this amount the agreement in respect of § 8 of the Railway Law concluded with the Government of the Reich was taken into account.

The "caution moneys (Pfandgelder) and suspense accounts" included under "sundry debts" are derived from current business.

The credit granted by the Reich "for the continuance of suspended constructional work", which totals RM 53,313,000, was drawn on to the extent of RM 52,797,743 down to the end of 1929 in conformity with the progress in constructional work. Of this total RM 445,963.07 have already been repaid, so that only the balance of RM 52,351,779.93 is shown in the Balance-sheet.

"Other debts" have increased by RM 105,118,955.80 from RM 61,424,129.08 at the end of 1928 to RM 166,543,084.88 at the end of 1929. The increase is due to further loans granted by public bodies for the continuation of constructional work already begun, more particularly to the credits granted by suppliers for car building and bridge building. Provision has also been made for the sum required to cover the additional charges incurred under the provisions of the Railway Law as amended by the Law of March 13, 1930, relating to reparation payments, which come into force retroactively as from September 1, 1929.

The whole of the books from which the accounts have been made up, and the closing-of-accounts figures including the Balance-sheet and the Profit and Loss Account have been audited by the Central Audit Office of the German Railway Company and found correct. Further, Herr W. Susat, Director of the Deutsche Revisions- und Treuhand-Aktiengesellschaft of Berlin has, as the expert of the Board, examined the Balance-sheet and Profit and Loss Account, with a view to ascertaining whether they have been drawn up in accordance with the provisions of the Railway Law and the Company's Statutes. The Balance-sheet and Profit and Loss Account have been found correct.

There has been no change in the composition of the Managing Board and Management of the German Railway Company since the last report. The General Manager, Dr Dorpmüller, whose three-year period of office expired during the year under review, was reappointed by the Board and the appointment was confirmed by the President of the Reich.

The business year 1929, particularly the period of severe and persistent frost, made heavy demands upon the German Railway Company. The officials, employees and workers of the Company deserve our thanks and acknowledgment for their devotion to and loyal fulfilment of their duties.

Berlin, April 26, 1930.

The Chairman of the Board
C.F. v. SIEMENS.

The General Manager
DORPMUELLER.

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ANNUAL CLOSING OF ACCOUNTS

OPERATING ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1929.

	RM.
OPERATING RECEIPTS	
Passenger Traffic	1,423,236,256.07
Goods Traffic	3,485,405,425.40
Other receipts	445,192,576.61
Total:	5,353,834,258.08
OPERATING PAYMENTS	
I. Payments in respect of operation and maintenance	
a) Payments to Staff	
Salaries of officials	1,191,133,823.92
Wages of employees and workmen	510,836,250.43
Pensions and retaining pay of officials, pensions of widows and orphans	477,902,176.79
Other payments	313,238,143.64
Total:	2,493,110,394.78
Less: General expenditure for renewals and increase of plant	74,778,396.13
Balance a) Payments to Staff	2,418,331,998.65
b) Payments for Material	
Maintenance of supplies and working material	488,802,400.54
Maintenance of permanent way and structures	343,846,967.93
Maintenance of rolling stock and machinery	497,106,275.51
Other payments	116,256,874.49
Total:	1,446,012,518.47
Less: General expenditure for renewals and increase of plant	30,543,288.56
Balance b) Payments for Material	1,415,469,229.91
Total I a) and b): Payments in respect of operation and maintenance	3,833,801,228.56
II. Payments for renewal of railway plant	
Renewal of supplies	2,516,395.03
Renewal of permanent way and structures	402,317,169.95
Renewal of rolling stock and machinery	254,861,711.02
Total II : Payments for Renewals	659,695,276.00
Total I and II : Operating Payments	4,493,496,504.56
Giving a surplus of :	860,337,753.52

PROFIT AND LOSS ACCOUNT OF THE GERMAN RAILWAY COMPANY FOR THE BUSINESS YEAR 1929.

Dr.			RM	Cr.	RM
Service of Reparation Bonds RM 658,701,010.00				Brought forward from 1928	173,338,861.42
Distributed as follows:					
a) interest on Reparation Bonds			539,737,427.97	Operating surplus from 1929	860,337,753.52
b) legal amortisation of Reparation Bonds and corresponding writing off of concession in respect of the (original) property taken over			118,963,582.03		
Service of new bonds and loans			3,521,268.72		
To legal reserve			91,840,343.58		
To reserve for writing off concession			25,000,000.00		
Net profits			254,613,992.64		
To be distributed as follows:					
Preference dividends:					
Advance payment on Series IV and V	RM 12,250,000.00				
As yet undistributed (Series I, II, III, balance of Series IV and V)	63,420,000.00	75,670,000.00			
Carried forward to 1930		178,943,992.64			
		254,613,992.64			
			1,033,676,614.94		1,033,676,614.94

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BALANCE SHEET OF THE GERMAN RAILWAY

Assets

			RM
Concession in respect of the (original) property taken over		24,500,000,000.00	
less legal writing of to end of previous year	149,897,916.67		
in 1929	118,963,582.03	268,861,498.70	24,231,138,501.30
Concession in respect of increase of plant			1,467,219,604.91
Working supplies			315,108,295.28
Cash in hand			88,982,087.96
Credit balances with banks			576,999,686.09
Securities			171,783,527.54
Bills			-
Claims			
on traffic receipts account		21,553,800.02	
on insurance and welfare organisations		94,408.70	
other claims		81,674,552.50	103,322,761.22
Temporary accounts			46,276,867.26
Guarantees	RM 39,108,396.02		-
Holdings in other undertakings			18,000,000.00
Total			27,018,831,331.56

Gold mark amounts are entered at the rate of 1 gold mark = 1 RM

Berlin, April 26, 1930.

COMPANY AS AT DECEMBER 31, 1929. DOC. 335

Liabilities

			RM
Ordinary shares			13,000,000,000.00
Preference shares:			
a) the proceeds of which the Reich is entitled to claim			500,000,000.00
b) the proceeds of which go to the German Railway Company	RM 1,500,000,000.00		
less those not yet issued	919,000,000.00		581,000,000.00
Reparation bonds	11,000,000,000.00		
less legal amortisation to end of previous year	RM 149,897,916.67		
in 1929	118,963,582.03	268,861,498.70	10,731,138,501.30
Legal reserve (Ausgleichsrücklage)			500,000,000.00
Working reserve (Betriebsrücklage)			756,085,548.72
Reserve for writing off concession			390,000,000.00
Sundry debts:		RM	
Caution moneys (Pfandgelder) and Suspense accounts		4,882,681.54	
Credits of the Reich:	RM		
for combating unemployment	80,000,000.00		
for continuance of suspended constructional work	52,351,779.93	132,351,779.93	
Insurance and welfare organisation		2,215,742.55	
Other debts		166,543,084.88	305,993,288.90
Guarantees	RM 39,108,396.02		
Net profit			254,613,992.64
To be distributed as follows:			
Preference dividends:	RM		
Advance payment on Series IV and V	12,250,000.00		
As yet undistributed (Series I,II,III and balance of Series IV and V)	63,420,000.00	75,670,000.00	
Carried forward to 1930		178,943,992.64	
		254,613,992.64	
		Total	27,018,831,331.56

THE GERMAN RAILWAY COMPANY

Chairman of the Board — C.F. von SIEMENS

General Manager — DORPMUELLER.

STATISTICS SHOWING IMPORTANT RESULTS OBTAINED IN THE BUSINESS YEAR 1929 AS COMPARED WITH 1926, 1927 AND 1928.

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D. Utilisation of freight and passenger cars	221 - 244	8 - 9
III. Traffic returns		
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VI. Railcar Park	451 - 467	21
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NUMBER OF WORKING DAYS.

1			2			3	4			5		
1926			1927			Description	1928			1929		
Working days	Sundays and holidays	Total	Working days	Sundays and holidays	Total		Working days	Sundays and holidays	Total	Working days	Sundays and holidays	Total
306	59	365	306	59	365	1. Goods traffic	306	60	366	305	60	365
365	-	365	365	-	365	2. Passenger traffic	366	-	366	365	-	365
306	59	365	306	59	365	3. Freight cars supplied - as a whole	306	60	366	304½	60½	365
302½	62½	365	303½	61½	365	4. Freight cars supplied - in the Ruhr	304	62	366	304½	60½	365
299	66	365	301	64	365	5. Freight cars supplied - in Upper Silesia	299	67	366	298	67	365
306	59	365	306	59	365	6. Freight cars supplied - in Lower Silesia	306	60	366	304½	60½	365
306	59	365	306	59	365	7. Freight cars supplied - in Central Germany	306	60	366	305	60	365
306	59	365	306	59	365	8. Receipts	306	60	366	305	60	365
April 4 and 5			April 17 and 18			Easter fell on	April 8 and 9			March 31 and April 1		
May 23 and 24			June 5 and 6			Whitsuntide fell on	May 27 and 28			May 19 and 20		

I. AVERAGE LENGTH OF LINES WORKED

Kilometers

1	2	3	4	5
1926	1927	Nature of lines	1928	1929
30,474.05	30,503.09	21. Main lines - generally	30,352.02	30,368.91
21,928.18	22,108.10	22. Secondary lines - generally	22,379.04	22,515.14
52,402.23	52,611.19	23. Standard gauge - generally (21 + 22)	52,731.06	52,884.05
51,964.89	52,165.84	24. Standard gauge for goods traffic	52,304.80	52,498.07
50,544.81	50,721.37	25. Standard gauge for passenger traffic	50,811.94	50,947.20
934.48	934.67	26. Narrow gauge - generally	936.15	935.97
934.06	934.25	27. Narrow gauge for goods traffic	935.73	935.55
861.76	861.76	28. Narrow gauge for passenger traffic	861.75	861.76
53,336.71	53,545.86	29. Lines - generally (23 + 26)	53,667.21	53,820.02
52,898.95	53,100.09	30. Lines for goods traffic (24 + 27)	53,240.53	53,433.62
51,406.57	51,583.13	31. Lines for passenger traffic (25 + 28)	51,673.69	51,808.96
52,359.86	52,408.07	32. Lines worked by steam) (29) (	52,261.61	52,274.11
976.85	1,137.79	33. Lines worked by electricity) (29) (	1,405.60	1,545.91
690.85	690.85	34. Lines navigated by ship - generally	685.85	685.85
676.65	676.65	35. Lines navigated by ship for goods traffic	671.65	671.65
376.85	376.85	36. Lines navigated by ship for passenger traffic	371.85	371.85
187.75	187.75	37. Lines navigated by ship for the conveyance of railway rolling stock on own wheels	187.75	187.75
53,416.42	53,535.29	38. Length of lines owned - generally distributed as follows:	53,749.97	53,790.34
11.40	11.42	39. per 100 sq. km. surface	11.47	11.48
8.56	8.58	40. per 10,000 inhabitants	8.61	8.62

II. OPERATING RETURNS

A. Locomotive-kilometers in thousands

1		2		3	4		5	
1926		1927		Nature of returns	1928		1929	
	%		%			%		%
				Goods traffic				
219,772	45.80	235,128	46.39	101. Train-kilometers	247,466	47.50	259,980	47.90
3,821	0.80	4,553	0.90	102. Hauling and banking service kilometers	4,468	0.86	4,728	0.87
30,536	6.36	31,618	6.24	103. Empty trip kilometers	32,822	6.30	35,993	6.63
168,157	35.04	176,370	34.80	104. Shunting service in km	175,510	33.69	175,810	32.39
57,596	12.00	59,190	11.67	105. Stand by service in km and standing by under steam in km	60,690	11.65	66,273	12.21
479,882	100.00	506,859	100.00	107. Total 101 - 105	520,956	100.00	542,784	100.00
				Passenger traffic				
347,200	75.45	366,039	76.40	111. Train-kilometers	394,331	76.88	417,164	76.60
2,487	0.54	2,570	0.54	112. Hauling and banking service kilometers	2,522	0.49	3,123	0.57
8,680	1.89	8,816	1.84	113. Empty trip kilometers	10,014	1.95	11,437	2.10
51,921	11.28	52,023	10.86	114. Shunting service in km	55,289	10.78	59,715	10.97
49,861	10.84	49,659	10.36	115. Stand by service in km and standing by under steam in km	50,776	9.90	53,157	9.76
460,149	100.00	479,107	100.00	117. Total 111 - 115	512,932	100.00	544,596	100.00
				Service traffic				
4,492	15.95	5,016	15.95	118. Train-kilometers	4,472	15.94	4,633	16.14
25	0.09	31	0.10	119. Hauling and banking service kilometers	45	0.16	31	0.11
4,589	16.30	5,123	16.29	120. Empty trip kilometers	4,569	16.29	4,694	16.35
13,032	46.29	14,553	46.29	121. Shunting service in km	12,974	46.26	12,732	44.36
6,016	21.37	6,718	21.37	122. Stand by service in km and standing by under steam in km	5,990	21.35	6,614	23.04
28,154	100.00	31,441	100.00	124. Total 118 - 122	28,050	100.00	28,704	100.00

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II. OPERATING RETURNS (continued)

A. Locomotive-kilometers in thousands (continued)

1		2		3	4		5	
1926		1927		Nature of returns	1928		1929	
	%		%			%		%
968,185	100.00	1,017,407	100.00	125. Total locomotive-km (107 + 117 + 124)	1,061,938	100.00	1,116,084	100.00
				distributed as follows:				
479,882	49.56	506,859	49.82	a) Goods traffic (107)	520,956	49.06	542,784	48.63
460,149	47.53	479,107	47.09	b) Passenger traffic (117)	512,932	48.30	544,596	48.80
28,154	2.91	31,441	3.09	c) Service traffic (124)	28,050	2.64	28,704	2.57
942,448	97.34	985,936	96.91	d) Steam driven	1,022,549	96.29	1,058,905	94.88
12,707	1.31	14,717	1.45	e) Electrically driven	17,256	1.63	18,502	1.66
6,151	0.64	7,862	0.77	f) Electric railcars	12,365	1.16	28,068	2.51
6,879	0.71	8,892	0.87	g) Other types of railcars	9,768	0.92	10,609	0.95
577,797	100.00	613,337	100.00	126. Of the total locomotive-kilometers (125) the total of				
				productive km	653,304	100.00	689,659	100.00
				is distributed as follows:				
223,593	38.70	239,681	39.08	a) Goods traffic (101 + 102)	251,934	38.56	264,708	38.38
349,687	60.52	368,609	60.10	b) Passenger traffic (111 + 112)	396,853	60.75	420,287	60.94
4,517	0.78	5,047	0.82	c) Service traffic (118 + 119)	4,517	0.69	4,664	0.68
554,834	96.03	584,681	95.33	d) Steam driven	617,085	94.46	635,826	92.19
10,279	1.78	12,232	1.99	e) Electrically driven	14,439	2.21	15,498	2.25
6,077	1.05	7,701	1.26	f) Electric railcars	12,154	1.86	27,897	4.05
6,607	1.14	8,723	1.42	g) Other types of railcars	9,626	1.47	10,438	1.51
11,097	.	14,799	.	127. Returns of 2nd, 3rd and 4th railcars in railcar trains	21,633	.	50,486	.
.	.	6,136	.	128. Trial runs in workshops, locomotive empty trip runs from and to railway repair shop	7,199	.	7,384	.
				distributed as follows:				
.	.	6,032	.	a) Steam driven	7,072	.	7,221	.
.	.	104	.	b) Other types	127	.	163	.
2,195,036	.	2,355,575	.	129. Locomotive-unit-km steam driven	2,472,713	.	2,596,143	.

II. OPERATING RETURNS (continued)

B. Train and car-axle-kilometers in thousands

1	2	3	4	5
1926	1927	Nature of returns	1928	1929
		Goods traffic		
218,993	234,733	131. Train-kilometers	247,232	259,780
716	767	132. " " daily return (131 : 1)	808	852
17,208,186	18,737,322	133. Axle-kilometers in goods trains	19,354,945	20,084,714
56,236	61,233	134. " " " " " daily return (133 : 1)	63,251	65,852
79	80	135. Composition of trains (133 : 131) axles	78	77
0.02	0.02	151. Hauling and banking service - locomotive-km per 1 train-km (102 : 131) km	0.02	0.02
0.14	0.13	152. Empty trip locomotive-kms per 1 train-kilometer (103 : 131) km	0.13	0.14
0.77	0.75	153. Shunting service locomotive-kms per 1 train-kilometer (104 : 131) km	0.71	0.68
0.26	0.25	154. Stand by service locomotive-kms and standing by under steam-kms per 1 train-kilometer (105 : 131) km	0.25	0.26
2.19	2.16	155. Total locomotive-kms per 1 train-kilometer (107 : 131) km	2.11	2.09
4.14	4.42	156. Density of traffic: train-kilometer per 1 km length of line worked (131 : 30)	4.64	4.86
325.30	352.87	157. Density of traffic - axle-km per 1 km of line worked (133 : 30)	363.54	375.88
		Service traffic		
4,556	4,936	161. Train-kilometers	4,388	4,598
118,867	101,711	162. Axle-kilometers	75,619	75,224

II. OPERATING RETURNS (continued)

B. Train and car axle-kilometers in thousands (continued)

1	2	3	4	5
1926	1927	Nature of returns	1928	1929
		Passenger traffic		
346,037	366,144	171. Train-kilometers	394,581	417,381
948	1,003	172. " " daily return (171 : 2)	1,078	1,144
9,243,369	9,784,711	173. Axle-kilometers	10,391,519	10,771,213
25,324	26,807	174. " " daily return (173 : 2)	28,392	29,510
27	27	175. Composition of trains (173 : 171) axles	26	26
0.01	0.01	181. Hauling and banking service locomotive-kms per 1 train-km (112 : 171) km	0.01	0.01
0.03	0.02	182. Empty trip locomotive-kms per 1 train-km (113 : 171) km	0.03	0.03
0.15	0.14	183. Shunting service locomotive-kms per 1 train-km (114 : 171) km	0.14	0.14
0.14	0.14	184. Stand by service locomotive-kms and standing by under steam kms per 1 train-km (115 : 171) km	0.13	0.13
1.33	1.31	185. Total locomotive-kms per 1 train-km (117 : 171) km	1.30	1.30
6.73	7.10	186. Density of traffic: Train-kms per 1 km length of line worked (171 : 31)	7.64	8.06
179.81	189.69	187. Density of traffic: Axle-kms per 1 km length of line worked (173 : 31)	201.10	207.90
		Total		
569,586	605,813	191. Train-kms (131 + 161 + 171)	646,201	681,759
26,570,422	28,623,744	192. Axle-kms (133 + 162 + 173)	29,822,083	30,931,151
47	47	193. Composition of trains (192 : 191) axles	46	45
10.68	11.31	194. Density of traffic: Train-kms per 1 km length of line worked (191 : 29)	12.04	12.67
498.16	534.57	195. Density of traffic: Axle-kms per 1 km length of line worked (192 : 29)	555.69	574.71

II. OPERATING RETURNS (continued)

C. Operating ton-kilometers in goods and passenger traffic

1	2	3	4	5
1926	1927	Nature of returns	1928	1929
		Goods traffic		
70,503	77,207	201. Operating net ton-kms in millions distributed as follows:	78,594	81,451
882	924	a) passenger trains	856	801
69,621	76,283	b) goods trains (including service trains)	77,738	80,650
153,052	169,466	202. Operating gross ton-kms in millions distributed as follows:	175,408	182,228
2,674	3,271	a) passenger trains	3,154	2,956
150,378	166,195	b) goods trains (including service trains)	172,254	179,272
82,549	92,259	203. Ton-kilometers of dead load in millions (202 - 201)	96,814	100,777
46.06	45.56	204. Relation of net ton-kilometers to gross ton-kilometers (201 : 202) %	44.81	44.70
161	158	205. Average transport distance (201 : 301) km	163	168
311.44	318.28	206. Goods train weight, productive load 201 b : (131 + 161) in tons	308.95	305.06
672.68	693.44	207. Goods train weight, gross load 202 b : (131 + 161) in tons	684.58	678.09
		Passenger traffic		
73,722	79,215	211. Operating gross ton-kms in passenger trains in millions	85,962	91,266
213.05	216.35	212. Passenger train weight, gross loan (211 : 171) in tons	217.86	218.66
		Together		
224,100	245,410	213. Operating gross ton-kms of total traffic (202 b + 211) in millions	258,216	270,538
		comprising:		
218,700	238,171	a) steam-driven	248,667	257,167
5,400	7,239	b) other types of locomotive	9,549	13,371
		214. Operating gross ton-kms in millions		
2.2	6.1	a) on new lines	5.1	1.2
.	.	b) in the workshop service	.	97.3

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars

1	2	3	4	5
1926	1927	Nature of returns	1928	1929
		Freight cars		
11,972,031	13,398,799	221. Axle-kms of loaded freight cars and service cars in thousands	13,827,108	14,145,566
5,026,051	5,064,792	222. Axle-kms of empty freight cars in thousands	5,184,712	5,553,491
16,998,082	18,463,591	223. " " " loaded and empty freight cars and service cars, total in thousands	19,011,820	19,699,057
508,234	566,019	224. " " " baggage cars in goods trains in thousands	591,861	608,412
87,132	94,885	225. " " " railway cars for postal purposes in thousands	61,026	55,939
17,769,233	19,298,435	226. " " " all cars in goods trains (including service trains) and freight cars in passenger trains in thousands	19,876,891	20,584,467
70.43	72.57	227. Ratio of axle-kms of loaded freight cars to those of loaded and empty freight cars (221 : 223) %	72.73	71.81
5.89	5.76	228. Productive load per loaded freight car axle (201 : 221) tons	5.68	5.76
4.15	4.18	229. Productive load per axle loaded and empty (201 : 223) tons	4.13	4.13
8.61	8.78	230. Gross load per axle (202 : 226) tons	8.82	8.85
4.78	4.68	231. Dead weight per freight car axle tons	4.68	4.68
7.94	7.99	232. Average loading weight per freight car axle tons	8.04	8.07
		233. Utilisation of loading weight of freight car axles		
74.18	72.09	a) loaded (228 : 232) %	70.65	71.38
52.27	52.32	b) loaded and empty (229 : 232) %	51.37	51.18

II. OPERATING RETURNS (continued)

D. Utilisation of freight and passenger cars (continued)

1	2	3	4	5
1926	1927	Nature of returns	1928	1929
		Passenger cars		
7,491,324	7,904,467	241. Axle-kms of passenger cars in all trains in thousands	8,441,153	8,775,911
7,312,725	7,734,055	242. Axle-kms of passenger cars in passenger trains in thousands	8,260,689	8,584,444
1,042,966	1,122,499	243. Axle-kms of baggage cars in passenger trains in thousands	1,206,900	1,262,759
7.98	8.10	244. Gross load per car axle (211 : 173) in tons	8.27	8.47

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III. TRAFFIC RETURNS

A. Goods traffic

Quantities of goods transported and tariff-ton-kilometers in thousands

1		2		3	4		5	
1926		1927		Description of returns	1928		1929	
	%		%			%		%
438,546	100.00	489,045	100.00	301. Quantities of goods transported	480,966	100.00	485,921	100.00
				distributed as follows:				
381,868	87.08	434,063	88.76	302. Public traffic	432,259	89.87	436,010	89.73
56,678	12.92	54,982	11.24	303. Service material (not including rolling stock)	48,707	10.13	49,911	10.27
	100.00		100.00			100.00		100.00
				302. is distributed as follows:				
309,313	81.00	357,140	82.28	304. Over the lines of the German Railway Company	353,298	81.73	353,481	81.07
38,704	10.14	39,468	9.09	305. Consigned to other railways distributed as follows:	41,370	9.57	46,328	10.63
15,079	3.95	16,289	3.75	a) German private lines	16,977	3.93	17,229	3.95
23,625	6.19	23,179	5.34	b) foreign countries (consignments cleared direct)	24,393	5.64	29,099	6.68
33,087	8.66	36,740	8.46	306. Received from other railways distributed as follows:	36,923	8.54	35,488	8.14
13,620	3.56	15,471	3.56	a) German private lines	15,888	3.67	16,144	3.70
19,467	5.10	21,269	4.90	b) foreign countries (consignments cleared direct)	21,035	4.87	19,344	4.44
764	0.20	715	0.17	307. Transit traffic (consignments cleared direct)	668	0.16	713	0.16
	100.00		100.00	303. is distributed as follows		100.00		100.00
7,479	13.20	7,831	14.24	308. Service material for which freightage was charged	5,443	11.17	2,338	4.68
49,199	86.80	47,151	85.76	309. Service material for which no freightage was charged	43,264	88.83	47,573	95.32
	100.00		100.00			100.00		100.00

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Quantities of goods transported and tariff-ton-kilometers (continued)

1		2		3	4		5	
1926		1927		Description of returns	1928		1929	
	%		%	The total goods traffic (301) is distributed as follows:		%		%
389,347	88.78	441,894	90.36	310. Goods traffic for which freightage was charged (302 + 308)	437,702	91.00	438,348	90.21
64,783	100.00	72,614	100.00	321. Tariff-ton-kms of total traffic in millions	73,180	100.00	76,382	100.00
				including:				
59,016	91.10	64,888	89.36	322. Public traffic (302)	66,338	90.65	68,936	90.25
59,424	91.73	65,416	90.09	323. Freightable traffic (310)	66,678	91.12	69,081	90.44
				Average despatch distance				
148		148		324. Total traffic (321 : 301) km	152		157	
155		149		325. Public traffic (322 : 302) km	153		158	
153		148		326. Freightable traffic (323 : 310) km	152		158	

III. TRAFFIC RETURNS (continued)

A. Goods Traffic (continued)

Results of goods traffic calculated according to tariffs in millions

1		2		3		4	5		6		7	
1 9 2 8							1 9 2 9					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
3,276.4	100.0	481.0	100.0	73,179.7	100.0	351. Total goods traffic distributed as follows:	3,485.4	100.0	485.9	100.0	76,381.9	100.0
1,699.4	51.9	162.5	33.8	24,045.2	32.8	352. Ordinary tariffs	1,732.4	49.7	153.7	31.6	22,744.8	29.8
1,381.5	42.1	266.2	55.3	41,687.2	57.0	353. Special tariffs	1,561.4	44.8	279.1	57.4	45,587.6	59.7
5.8	0.2	0.3	0.1	66.8	0.1	354. Military material including animals and vehicles on military tickets and way bills	4.1	0.1	0.2	-	47.8	0.1
1.8	-	0.4	0.1	41.2	-	355. Traffic for armies of occupation (goods, animals and corpses transported)	2.1	0.1	0.3	0.1	47.2	-
55.6	1.7	2.9	0.6	497.2	0.7	356. Animals, excluding those conveyed as military material	58.4	1.7	2.7	0.6	508.6	0.7
8.6	0.3	5.4	1.1	340.4	0.5	357. Service material for which freightage was charged	3.7	0.1	2.3	0.5	145.1	0.2
-	-	43.3	9.0	6,501.7	8.9	358. Service material for which no freightage was charged	-	-	47.6	9.8	7,300.8	9.5
123.6	3.8	-	-	-	-	359. Additional receipts from general traffic	123.2	3.5	-	-	-	-
0.1	-	-	-	-	-	360. Additional receipts from traffic for armies of occupation	0.1	-	-	-	-	-

Results of goods traffic calculated according to tariffs in millions (continued)

1		2		3		4	5		6		7	
1928							1929					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
1,699.4	100.0	162.5	100.0	24,045.2	100.0	361. The ordinary tariffs (352) are distributed as follows:	1,732.4	100.0	153.7	100.0	22,744.8	100.0
148.1	8.7	2.6	1.6	455.4	1.9	a) despatch and express goods in piece goods	148.9	8.6	2.4	1.6	440.5	1.9
1.0	0.1	(0.04)	-	5.7	-	b) despatch goods per car load	1.4	0.1	(0.04)	-	7.0	-
459.5	27.0	15.3	9.4	3,104.2	12.9	c) goods - piece goods(ordinary)	471.4	27.2	14.7	9.6	2,953.8	13.0
1,090.2	64.2	144.6	89.0	20,477.7	85.2	d) ordinary goods per car load	1,110.1	64.1	136.6	88.8	19,341.1	85.1
0.6	-	(0.01)	-	2.2	-	e) corpses	0.6	-	(0.01)	-	2.4	-
1,381.5	100.0	266.2	100.0	41,687.2	100.0	362. The special tariffs (353) are distributed as follows:	1,561.4	100.0	279.1	100.0	45,587.6	100.0
13.6	1.0	2.9	1.1	171.6	0.4	a) milk as despatch goods	16.2	1.0	2.1	0.8	122.9	0.3
10.4	0.7	0.4	0.1	56.4	0.1	b) despatch goods - piece goods	11.6	0.8	0.4	0.1	70.2	0.1
0.1	-	(0.01)	-	0.8	-	c) despatch goods per car load	0.2	-	(0.01)	-	1.4	-
34.0	2.5	1.6	0.6	327.7	0.8	d) ordinary goods - piece goods	34.8	2.2	1.5	0.5	327.9	0.7
1,323.4	95.8	231.3	98.2	41,130.7	98.7	e) ordinary goods per car load	1,498.6	96.0	275.1	98.6	45,065.2	98.9

III. TRAFFIC RETURNS (continued)

A. Goods traffic (continued)

Results of goods traffic calculated according to tariffs in millions (continued)

1		2		3		4	5		6		7	
1928							1929					
Total receipts		Total tonnage		Total ton-kilometers		Nature of returns	Total receipts		Total tonnage		Total ton-kilometers	
RM	%		%		%		RM	%		%		%
3,276.4	100.0	481.0	100.0	73,179.7	100.0	363. Of the total goods traffic (351)	3,485.4	100.0	485.9	100.0	76,381.9	100.0
767.8	23.4	172.6	35.9	27,068.8	37.0	coal accounted for	890.5	25.5	187.7	38.6	30,922.9	40.5
	100.0		100.0		100.0			100.0		100.0		100.0
						distributed as follows:						
5.7	0.7	2.0	1.1	110.8	0.4	364. Ordinary tariffs	8.7	1.0	2.5	1.3	167.9	0.5
4.9	0.6	1.6	0.9	97.3	0.4	a) coal, briquettes, coke and waste material	7.8	0.9	2.2	1.2	149.5	0.5
0.8	0.1	0.4	0.2	13.5	-	b) lignite, briquettes and coke	0.9	0.1	0.3	0.1	18.4	-
762.1	99.3	156.3	90.6	23,192.3	85.7	365. Special tariffs	881.8	99.0	170.2	90.7	26,771.2	86.6
518.4	67.5	100.5	58.2	16,554.0	61.2	a) coal, briquettes and coke	624.5	70.1	112.0	59.7	19,940.6	64.5
243.7	31.8	55.8	32.4	6,638.3	24.5	b) lignite, briquettes and coke	257.3	28.9	58.2	31.0	6,830.6	22.1
-	-	14.3	8.3	3,765.7	13.9	366. Service coal	-	-	15.0	8.0	3,983.8	12.9

III. TRAFFIC RETURNS (continued)

B. Passenger traffic

1	2	3	4	5
1926	1927	Description of returns	1928	1929
1,819.4	1,909.2	381. Total number of passengers carried in millions	2,009.4	1,980.3
		Class travelled per 100 passengers transported:		
0.04	0.04	a) 1st class	0.03	0.03
4.91	4.49	b) 2nd class	5.16	7.08
32.99	31.52	c) 3rd class	94.81	92.89
62.06	63.95	d) 4th class		
50.53	47.69	e) at normal fares	45.37	44.21
49.47	52.31	f) at reduced fares	54.63	55.79
37.49	35.63	g) at standard fares	32.92	30.32
62.51	64.37	h) at special fares	67.08	69.68
75.97	76.65	i) general traffic	75.82	73.71
19.47	18.80	j) metropolitan, 'circle' and suburban traffic in Berlin	19.62	21.48
4.56	4.55	k) metropolitan and suburban traffic in Hamburg-Altona	4.56	4.81
42,922.4	45,547.9	382. Total number of passenger-kms. in millions	47,649.0	47,088.3
		Distributed per 100 passenger-kms as follows:		
0.40	0.44	a) 1st class	0.45	0.41
6.54	6.09	b) 2nd class	6.80	8.94
33.58	31.56	c) 3rd class	92.75	90.65
59.48	61.91	d) 4th class		
64.32	61.29	e) at normal fares	58.78	57.19
35.68	38.71	f) at reduced fares	41.22	42.81
57.85	55.74	g) at standard fares	52.73	50.40
42.15	44.26	h) at special fares	47.27	49.60
88.32	89.28	i) general traffic	88.55	87.20
9.25	8.49	j) metropolitan, 'circle' and suburban traffic in Berlin	9.54	10.81
2.43	2.23	k) metropolitan and suburban traffic in Hamburg-Altona	1.91	1.99

III. TRAFFIC RETURNS (continued)

B. Passenger traffic (continued)

1	2	3	4	5
1926	1927	Description of returns	1928	1929
1,273.2	1,330.7	383. Receipts from passenger traffic in millions	1,394.0	1,375.2
		Distributed per 100 RM as follows:		
1.45	1.56	a) 1st class	1.63	1.63
12.45	11.97	b) 2nd class	13.06	15.45
38.15	36.61	c) 3rd class	) 85.31	82.92
47.95	49.86	d) 4th class	)	
81.28	78.78	e) at normal fares	75.95	75.89
18.72	21.22	f) at reduced fares	24.05	24.11
77.22	74.93	g) at standard fares	72.11	71.65
22.78	25.07	h) at special fares	27.89	28.35
93.85	94.07	i) general traffic	94.04	93.50
5.07	4.86	j) metropolitan, 'circle' and suburban traffic in Berlin	4.89	5.38
1.08	1.07	k) metropolitan and suburban traffic in Hamburg-Altona	1.07	1.12
		384. General traffic - long distance - (excluding metropolitan, 'circle' and suburban traffic in Berlin and Hamburg-Altona)		
1,382.3	1,463.5	a) passengers transported in millions	1,523.5	1,459.7
		class travelled per 100 passengers transported:		
0.05	0.05	1st class	0.04	0.04
1.38	1.24	2nd class	2.16	4.66
16.88	15.29	3rd class	) 97.80	95.30
81.69	83.42	4th class	)	

III. TRAFFIC RETURNS (continued)

B. Passenger traffic (continued)

1	2	3	4	5
1926	1927	Description of returns	1928	1929
37,910.3	40,664.8	b) passenger-kms in millions	42,193.3	41,060.5
		distribution per 100 passenger-kms travelled:		
0.45	0.49	1st class	0.51	0.47
5.28	5.00	2nd class	5.80	8.15
26.93	25.16	3rd class	93.69	91.38
67.34	69.35	4th class		
1,194.9	1,251.8	c) receipts in millions of RM	1,310.9	1,285.9
		distribution per 100 RM as follows:		
1.55	1.66	1st class	1.74	1.75
11.81	11.39	2nd class	12.58	15.16
35.55	33.95	3rd class	85.68	83.09
51.09	53.00	4th class		
23.59	23.86	385. Average distance carried (382 : 281) .....km	23.71	23.78
124.04	124.40	386. Passengers per train (382 : 171)	120.76	112.82
5.87	5.89	387. Passengers per passenger car axle (382 : 242)	5.77	5.49
4.64	4.66	388. Passengers per car axle in passenger trains (382 : 173)	4.59	4.37

IV. FREIGHT CARS SUPPLIED

A. As a whole

1		2		3	4		5	
1926		1927		Description	1928		1929	
39,746,045		45,682,153		401. Total number of freight cars supplied	45,974,988		46,360,911	
129,889		149,288		402. Freight cars per working day (401 : 3)	150,245		152,253	
18,007,836		21,145,737		403. Covered cars	22,303,162		22,292,289	
58,849		69,104		404. " " per working day (403 : 3)	72,886		73,209	
16,746,701		18,751,323		405. Open cars	18,112,844		18,663,823	
54,728		61,279		406. " " per working day (405 : 3)	59,192		61,293	
	%		%	407. Not supplied in time :		%		%
487,747	1.2	283,882	0.6	a) cars of all types (401)	81,624	0.2	196,824	0.4
25,965	0.1	59,558	0.3	b) covered cars (403)	17,869	0.1	55,066	0.2
353,396	2.1	82,123	0.4	c) open cars (405)	12,220	0.1	58,973	0.3

IV. FREIGHT CARS SUPPLIED (continued)

B. For coal, coke and briquettes per working day in units of 10 tons

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
				411. Ruhr district				
28,320		28,367		a) supplied	26,417		29,987	
270	1.0	57	0.2	b) not supplied in time	9	-	66	0.2
				412. Upper Silesia				
5,272		5,664		a) supplied	5,898		6,729	
4	0.1	-	-	b) not supplied in time	-	-	-	-
				413. Lower Silesia				
1,451		1,502		a) supplied	1,445		1,529	
3	0.2	2	0.1	b) not supplied in time	-	-	-	-
				414. Central-German lignite basin				
8,569		9,232		a) supplied	9,863		10,119	
106	1.2	2	-	b) not supplied in time	-	-	-	-

V. LOCOMOTIVE PARK

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
25,921	100.0	24,895	100.0	431. Total park at end of year distributed as follows:	24,481	100.0	24,089	100.0
25,616	98.8	24,575	98.7	432. Steam driven locomotives	24,132	98.6	23,698	98.4
4	-	4	-	433. Locomotives with combustion engines	2	-	3	-
301	1.2	316	1.3	434. Electrically driven locomotives	347	1.4	388	1.6
				The steam driven locomotives (432) are distributed as follows:				
19,506	76.1	19,219	78.2	435. In working order	19,066	79.0	19,325	81.5
6,110	23.9	5,356	21.8	436. Under repair	5,066	21.0	4,373	18.5
26,732	100.0	25,372	100.0	437. Total park - yearly average distributed as follows:	24,637	100.0	24,307	100.0
26,453	99.0	25,061	98.8	438. Steam driven locomotives	24,307	98.7	23,937	98.5
3	-	4	-	439. Locomotives with combustion engines	3	-	2	-
276	1.0	307	1.2	440. Electrically driven locomotives	327	1.3	368	1.5
				The steam driven locomotives (438) are distributed as follows:				
20,393	77.1	19,292	77.0	441. In working order	19,003	78.2	18,957	79.2
6,060	22.9	5,769	23.0	442. Under repair	5,304	21.8	4,980	20.8
				Steam driven locomotives				
20.97		23.33		443. Locomotive productive-kms per locomotive (126d:438) in thousands	25.39		26.56	
27.21		30.31		444. Locomotive productive-kms per locomotive in working order (126d:441) in thousands	32.47		33.54	
35.63		39.34		445. Locomotive-kms per locomotive (125d:438) in thousands	42.07		44.24	
46.21		51.11		446. Locomotive-kms per locomotive in working order (125d:441) in thousands)	53.81		55.86	

VI. RAIL CAR PARK

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
553	100.0	583	100.0	451. Total park of railcars at end of year distributed as follows:	937	100.0	1,151	100.0
343	62.0	341	58.5	452. Railcars current-fed from overhead wire or third rail	678	72.4	889	77.2
210	38.0	242	41.5	453. Other railcars	259	27.6	262	22.8
226	51.7	216	47.2	454. Total park of driving cars	563	64.5	697	64.9
211	48.3	242	52.8	455. Total park of trailers	310	35.5	377	35.1
				The railcars, driving cars and trailers are fitted as follows:				
965	97.5	1,013	97.3	456. For passenger transport	1,782	98.4	2,189	98.4
3,383	98.0	3,530	97.8	" " " axles	6,589	98.8	8,198	98.8
7	0.7	7	0.7	457. For baggage transport	7	0.4	14	0.6
20	0.6	20	0.6	" " " axles	20	0.3	34	0.4
18	1.8	21	2.0	458. As service cars	21	1.2	22	1.0
49	1.4	59	1.6	" " " axles	59	0.9	65	0.8
523	100.0	564	100.0	460. Total park of railcars (Yearly average) distributed as follows:	691	100.0	1,087	100.0
314	60.0	339	60.1	461. Railcars current-fed from overhead wire or third rail	444	64.3	828	76.2
209	40.0	225	39.9	462. Other railcars	247	35.7	259	23.8
201	50.9	221	49.3	463. Total park of driving cars	315	53.8	669	65.8
194	49.1	227	50.7	464. Total park of trailers	271	46.2	347	34.2
				The railcars, driving cars and trailers are fitted as follows:				
893	97.3	985	97.3	465. For passenger transport	1,241	97.8	2,074	98.6
3,108	97.8	3,434	97.9	" " " axles	4,492	98.3	7,762	98.9
7	0.7	7	0.7	466. For baggage transport	7	0.6	8	0.4
20	0.6	20	0.6	" " " axles	20	0.4	22	0.3
18	2.0	20	2.0	467. As service cars	21	1.6	21	1.0
49	1.6	54	1.5	" " " axles	56	1.3	63	0.8

VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
754,194	100.0	757,063	100.0	481. Total number of cars (not including traverser trucks), at end of year	756,009	100.0	745,379	100.0
1,601,095	100.0	1,606,532	100.0	Total number of axles	1,604,723	100.0	1,584,649	100.0
62,356	8.3	61,764	8.1	482. Passenger cars	62,447	8.3	63,641	8.5
176,653	11.0	175,372	10.9	" " axles	176,658	11.0	179,197	11.3
21,549	2.8	21,002	2.8	483. Baggage cars	20,806	2.7	20,990	2.8
49,651	3.1	48,407	3.0	" " axles	48,044	3.0	48,696	3.1
				Distribution of baggage cars (483) :				
8,373	38.9	8,177	38.9	a) Cars for passenger trains	8,145	39.1	8,433	40.2
23,259	46.8	22,748	47.0	" " " " axles	22,717	47.3	23,578	48.4
13,176	61.1	12,825	61.1	b) Cars for goods trains	12,661	60.9	12,557	59.8
26,392	53.2	25,659	53.0	" " " " axles	25,327	52.7	25,118	51.6
670,289	88.9	674,297	89.1	484. Freight cars	672,756	89.0	660,748	88.7
1,374,791	85.9	1,382,753	86.1	" " axles	1,380,021	86.0	1,356,756	85.6
				Distribution of freight cars (484) :				
227,174	33.9	226,551	33.6	a) Covered freight cars	233,389	34.7	229,950	34.8
457,049	33.2	455,809	33.0	" " " axles	469,091	34.0	462,306	34.1
434,448	64.8	436,915	64.8	b) Open freight cars	427,207	63.5	417,580	63.2
895,836	65.2	900,398	65.1	" " " axles	881,184	63.9	862,070	63.5
8,667	1.3	10,831	1.6	c) Service cars	12,160	1.8	13,218	2.0
21,906	1.6	26,546	1.9	" " axles	29,746	2.1	32,380	2.4
				485. In addition :				
317.5	.	317.5	.	Narrow-gauge traverser trucks pairs	297.5	.	289	.
1,270	.	1,270	.	" " " " axles	1,190	.	1,156	.

VII. PASSENGER, BAGGAGE AND FREIGHT CAR PARK (continued)

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
764,331	100.0	755,628	100.0	487. Total number of cars (not including traverser trucks), yearly average	756,536	100.0	750,694	100.0
1,621,591	100.0	1,603,813	100.0	Total number of axles	1,605,628	100.0	1,594,686	100.0
63,092	8.3	62,060	8.2	488. Passenger cars	62,106	8.2	63,044	8.4
178,285	11.0	176,012	11.0	" " axles	176,015	11.0	177,927	11.2
21,690	2.8	21,275	2.8	489. Baggage cars	20,904	2.8	20,898	2.8
50,008	3.1	49,029	3.0	" " axles	48,226	3.0	48,370	3.0
				Distribution of baggage cars (489) :				
8,337	38.4	8,275	38.9	a) Cars for passenger trains	8,161	39.0	8,289	39.7
23,260	46.5	23,003	46.9	" " " " axles	22,733	47.1	23,147	47.8
13,353	61.6	13,000	61.1	b) Cars for goods trains	12,743	61.0	12,609	60.3
26,748	53.5	26,026	53.1	" " " " axles	25,493	52.9	25,223	52.2
679,549	88.9	672,293	89.0	490. Freight cars	673,526	89.0	666,752	88.8
1,393,298	85.9	1,378,772	86.0	" " axles	1,381,387	86.0	1,368,389	85.8
				Distribution of freight cars (490) :				
229,232	33.7	226,863	33.7	a) Covered freight cars	229,970	34.1	231,669	34.7
461,186	33.1	456,429	33.1	" " " axles	462,450	33.5	465,699	34.0
442,312	65.1	435,681	64.8	b) Open freight cars	432,061	64.2	422,394	63.4
911,737	65.4	898,117	65.1	" " " axles	890,791	64.5	871,627	65.7
8,005	1.2	9,749	1.5	c) Service cars	11,495	1.7	12,689	1.9
20,375	1.5	24,226	1.8	" " axles	28,146	2.0	31,063	2.3
				491. In addition :				
313	.	317.5	.	Narrow-gauge traverser trucks pairs	307.5	.	293	.
1,253	.	1,270	.	" " " " axles	1,230	.	1,173	.
115.91		124.62		493. Car axle-kms per passenger car (242:488) in thousands	133.01		136.17	
25.01		27.46		494. Car axle-kms per freight car (223:490) in thousands	28.23		29.54	

VIII. FUEL AND LUBRICANTS CONSUMED WHEN OPERATING UNDER STEAM

1	2	3		4	5
1926	1927	Description		1928	1929
12,059.3	12,811.4	501. Fuel consumption in thousands	tons	13,124.1	13,602.6
12.80	12.92	502. Fuel consumption per 1,000 locomotive-kilometers (501: 125d + 128 a)	tons	12.75	12.76
5.50	5.44	503. Fuel consumption per 1,000 locomotive-unit-kilometers (501 : 129)	tons	5.31	5.24
55.14	53.79	504. Fuel consumption per 1 million operating gross ton-kilometers (501:213a+214a+b)	tons	52.78	52.87
16,262.0	18,124.2	510. Lubricant consumption in thousands	kgs	20,130.7	21,848.6
17.26	18.27	511. Lubricant consumption per 1,000 locomotive-kilometers (510 : 125d + 128a)	kgs	19.55	20.49
7.41	7.69	512. Lubricant consumption per 1,000 locomotive-unit-kilometers (510 : 129)	kgs	8.14	8.42

IX. WORKSHOPS

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
.	.	800,075	100.0	521. Total cost in thousands of RM of maintenance of rolling stock and special services distributed as follows:	737,780	100.0	766,437	100.0
.	.	311,087	38.9	522. Steam driven locomotives	331,027	44.9	360,398	47.0
.	.	4,755	0.6	523. Electrically driven locomotives	6,332	0.9	7,357	1.0
.	.	7,155	0.9	524. Railcars	9,744	1.3	18,440	2.4
.	.	139,177	17.4	525. Passenger cars and passenger train baggage cars	134,711	18.2	137,778	18.0
.	.	283,059	35.4	526. Freight and service cars, and goods train baggage cars	202,043	27.4	196,061	25.6
.	.	54,842	6.8	527. Special services rendered	53,923	7.3	46,403	6.0
.		12,413.2		528. Cost of repairs per steam driven locomotive (522:438) RM	13,618.5		15,056.1	
.		15,488.6		529. Cost of repairs per electrically driven locomotive (523:440) RM	19,363.9		19,991.8	
.		12,686.2		530. Cost of repairs per railcar (524:460) RM	14,101.3		16,964.1	
.		1,978.8		531. Cost of repairs per passenger car and passenger train baggage car (525:488 + 489a) RM	1,917.1		1,931.5	
.		413.0		532. Cost of repairs per freight and service car, and per goods train baggage car (526:490 + 491a) RM	294.4		288.6	
.		315.5		533. Cost of repairs per 1,000 locomotive kilometers of steam driven locomotives (522:125d) RM	324.0		340.3	
.		323.1		534. Cost of repairs per 1,000 locomotive-kms of electrically driven locomotives (523:125e) RM	366.9		397.6	
.		266.8		535. Cost of repairs per 1,000 kilometers of railcars (524:125f + g + 127) RM	222.6		206.8	
.		15.4		536. Cost of repairs per 1,000 axle-kilometers of passenger cars and passenger train baggage cars (525:241 + 243) RM	14.0		13.7	
.		14.8		537. Cost of repairs per 1,000 axle-kilometers of freight cars, goods train baggage cars and service cars (526:223 + 224 + 225) RM	10.3		9.6	

X. STAFF - AVERAGE FIGURES FOR THE YEAR

1		2		3		4		5	
1926		1927		Description		1928		1929	
	%		%				%		%
707,570	100.0	704,016	100.0	551. Total staff		700,663	100.0	713,119	100.0
320,101	45.2	313,672	44.6	552. Officials) (Included under		310,597	44.3	308,816	43.3
387,469	54.8	390,344	55.4	553. Workmen) 551)		390,066	55.7	404,303	56.7
31,847	4.5	32,327	4.6	554. Management	(Included under 551)	32,211	4.6	33,345	4.7
128,989	18.2	124,731	17.7	555. Upkeep of permanent way		116,684	16.7	117,354	16.5
31,811	4.5	32,272	4.6	556. Inspection of permanent way		32,226	4.6	32,619	4.6
220,450	31.1	224,750	31.9	557. Station and despatch services		229,067	32.7	233,102	32.7
52,150	7.4	52,332	7.4	558. Train attendants		53,122	7.6	54,454	7.6
65,779	9.4	68,508	9.7	559. Engine drivers and firemen		71,064	10.1	73,520	10.3
53,260	7.5	52,705	7.5	560. Mechanics excluding engine and workshop service		50,494	7.2	51,658	7.2
22,029	3.1	20,957	3.0	561. Running-workshop service		23,695	3.4	23,727	3.3
101,255	14.3	95,434	13.6	562. Head workshops		92,100	13.1	93,340	13.1
13.27		13.15		563. Total staff per km. of line worked (551 : 29)		13.06		13.25	
10.95		10.97		564. Total staff, excluding workshops, per km. of line worked 551 - (561 + 562) : 29		10.90		11.07	
1.24		1.16		565. Total staff per 1,000 train kms. (551 : 191)		1.08		1.05	
1.03		0.97		566. Total staff, excluding workshops, per 1,000 train kms. 551 - (561 + 562) : 191		0.91		0.87	
2.66		2.46		567. Total staff per 100,000 car axle-kms. (551 : 192)		2.35		2.31	
2.20		2.05		568. Total staff, excluding workshops, per 100,000 car axle-kms. 551 - (561 + 562) : 192		1.96		1.93	

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XI. RECEIPTS

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%	Receipts in thousands of RM		%		%
1,320,175	29.07	1,379,572	27.38	601. Passengers and baggage	1,443,338	27.98	1,423,236	26.58
2,830,620	62.34	3,226,401	64.02	602. Goods traffic	3,276,357	63.50	3,485,405	65.10
390,006	8.59	433,296	8.60	603. Other receipts	439,535	8.52	445,193	8.32
4,540,801	100.00	5,039,269	100.00	604. Total	5,159,230	100.00	5,353,834	100.00
14,839		16,468		605. Total per working day(604:8)	16,860		17,554	
				Passenger traffic				
0.14		0.14		611. Receipts per axle-km of passenger trains (601:173) RM	0.14		0.13	
3.82		3.77		612. Receipts per train-km of passenger trains (601:171) RM	3.66		3.41	
25,681		26,745		613. Receipts per kilometer of line worked (601:31) RM	27,932		27,471	
0.73		0.72		614. Receipts per passenger carried (601:381) RM	0.72		0.72	
3.08		3.03		615. Receipts per passenger-kilometer (601:382) Rpf	3.03		3.02	
				Goods traffic				
0.16		0.17		621. Receipts per axle-km of goods trains (602:133) RM	0.17		0.17	
12.93		13.74		622. Receipts per train-km of goods trains (602:131) RM	13.25		13.42	
53,510		60,761		623. Receipts per kilometer of line worked (602:30) RM	61,539		65,229	
7.41		7.43		624. Receipts per ton (excluding goods for railway use) (602:302) RM	7.58		7.99	
6.45		6.60		625. Receipts per ton (including goods for railway use) (602:301) RM	6.81		7.17	
4.01		4.18		626. Receipts per net ton-kilometer (602:201) Rpf	4.17		4.28	
1.85		1.90		627. Receipts per gross ton-kilometer (602:202) Rpf	1.87		1.91	

XI. RECEIPTS (continued)

1	2	3		4	5
1926	1927	Description		1928	1929
		Goods traffic (continued)			
4.37	4.44	628. Receipts per tariff ton-kilometer of total traffic (602:321)	Rpf	4.48	4.56
4.59	4.76	629. Receipts per tariff ton-kilometer of public traffic (excluding goods for railway use and subsidiary receipts)	Rpf	4.74	4.87
4.57	4.74	630. Receipts per tariff ton-kilometer of traffic liable to freight charges (excluding subsidiary receipts)	Rpf	4.73	4.87
		Total traffic including service goods			
0.17	0.18	631. Total receipts per 1 axle-km (604:192)	RM	0.17	0.17
7.97	8.32	632. Total receipts per 1 train-km (604:191)	RM	7.98	7.85
85,135	94,111	633. Total receipts per 1 kilometer of line worked (604:29)	RM	96,134	99,477
6,417	7,158	634. Total receipts per head of total staff (604:551)	RM	7,363	7,508

XII. OPERATING PAYMENTS

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%	Payments in thousands of RM		%		%
3,223,755	87.59	3,437,837	82.66	651. Operation and maintenance	3,646,233	84.91	3,833,801	85.32
456,807	12.41	720,926	17.34	652. Renewal of permanent way and structures	648,137	15.09	659,695	14.68
3,680,562	100.00	4,158,763	100.00	653. Operating payments (651+652)	4,294,370	100.00	4,493,496	100.00
860,239		880,506		654. Operating surplus	864,860		860,338	
81.06		82.53		655. Ratio of total operating payments to receipts, operating co-efficient (653 : 604)	83.24		83.93	
	%		%	Of the total operating payments there fall to :		%		%
2,511,300	65.71	2,611,484	61.31	658. Payments to staff (including wages of permanent way and workshop workers)	2,898,665	66.50	2,965,540	65.40
1,310,502	34.29	1,647,979	38.69	659. Payments for material	1,460,269	33.50	1,568,858	34.60
3,821,802	100.00	4,259,463	100.00	660. Total (658 + 659)	4,358,934	100.00	4,534,398	100.00
				less :				
- 141,240	-	- 100,700	-	the payments still to be transferred to the account for increase of plant and included in (660)	- 64,564	-	- 40,902	-
3,680,562	-	4,158,763	-	661. Leaving as operating payments (653)	4,294,370	-	4,493,496	-
0.14		0.15		662. Total operating payments per axle-km (653:192) RM	0.14		0.15	
6.46		6.86		663. Total operating payments per train-km (653:191) RM	6.65		6.59	
69,006		77,667		664. Total operating payments per kilometer of line worked (653:29) RM	80,019		83,491	
3,549		3,709		665. Payments to staff per head of total staff (658:551) RM	4,137		4,158	

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XIII. ACCIDENTS IN RAILWAY TRAFFIC ON STANDARD LINES.

1		2		3	4		5	
1926		1927		Description	1928		1929	
	%		%			%		%
3,097	100.0	3,434	100.0	701. Total number of accidents	3,601	100.0	3,915	100.0
				Consisting of :				
470	15.2	438	12.8	a) derailments	452	12.6	466	11.9
208	6.7	242	7.0	b) collisions	212	5.9	299	7.6
248	8.0	311	9.1	c) vehicles run down	285	7.9	311	8.0
2,171	70.1	2,443	71.1	d) personal and other accidents	2,652	73.6	2,839	72.5
172	100.0	107	100.0	702. Number of passengers killed	171	100.0	151	100.0
106	61.6	99	92.5	through own carelessness	117	68.4	121	80.1
1,157	100.0	624	100.0	703. Number of passengers injured	1,207	100.0	888	100.0
323	27.9	358	57.4	through own carelessness	427	35.4	362	40.8
380	100.0	447	100.0	704. Number of railway servants killed	431	100.0	427	100.0
375	98.7	431	96.4	through own carelessness	411	95.4	375	87.8
1,100	100.0	1,296	100.0	705. Number of railway servants injured	1,384	100.0	1,678	100.0
1,015	91.4	1,221	94.2	through own carelessness	1,266	91.5	1,114	66.4
3,564	100.0	3,125	100.0	706. Total number of persons killed or injured	3,830	100.0	3,770	100.0
2,290	68.1	2,631	84.2	through own carelessness	2,783	72.7	2,412	64.0
5.91		6.53		711. Accidents per 100 km. of line worked	6.83		7.40	
5.48		5.71		712. Accidents per million train-km.	5.61		5.78	
0.12		0.12		713. Accidents per million car axle-km.	0.12		0.13	
5.95		5.19		714. Persons killed or injured per million train-km.	5.97		5.56	
4.05		4.37		through own carelessness	4.34		3.56	
0.13		0.11		715. Persons killed or injured per million car axle-km.	0.13		0.12	
0.09		0.09		through own carelessness	0.09		0.08	

XIV. SALARIES OF PERMANENT OFFICIALS IN THE SERVICE OF THE RAILWAY

Average salary as compared with average salary 1913.

Salary group (Class of official)	Nominal salary (calculated on payments for July 1928) RM	Real salary standard figure of the Reich 152.6 (Average Dec. 1929) RM	Pre-war rate 1913		Nominal salary amounts (percentage of the pre-war rate) 1913 = 100	Real salary amounts (percentage of the pre-war rate) 1913 = 100
			Class of official (Group Prussia)	Salary M		
15 (Conductors)	3,204	2,100	Conductors	1,507	213	139
13 (Locomotive firemen)	3,414	2,237	Locomotive firemen	1,593	214	140
11 (Railway assistants)	3,462	2,269	Assistants 2nd class	1,961	177	116
9 (Locomotive drivers)	4,360	2,857	Locomotive drivers	2,609	167	110
7 (Railway head secretaries)	5,485	3,594	Station masters	3,498	157	103
5 (Reichsbahnrat)	8,980	5,885	(Head officials	6,314	142	93
Total average	3,855	2,513	(Members of the (Managing Board	6,972	129	84
			Total average	2,126	180	118

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XV. WAGES OF WORKMEN IN THE SERVICE OF THE RAILWAY

Average wage per hour during the period July 1, 1929 to December 31, 1929 as compared with the average wage per hour during the financial year 1914.

Wage group	Average wage per hour during period July 1, 1929 to December 31, 1929		Average wage per hour in 1914	Average wage per hour (percentage of the pre-war rate)	
	Nominal wage	Real wage standard figure of the Reich 153.5 (average July - December 1929)		Nominal wage	Real wage
	RM	RM	M	1914 = 100	
III (Artisans)	1.01	0.66	-	-	-
V (Skilled workers)	0.86	0.56	-	-	-
VII (Unskilled workers)	0.74	0.48	-	-	-
Total average of all classes	0.88	0.57	0.42	210	136

I.I.9. 4140 DOC. 336

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 12, 1930.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS AT APRIL 30, 1930.

(cf. DOC. 334)

The following is a translation of the balance sheet of the Rentenbank as at April 30, 1930, as published in the Reichsanzeiger No.108 of May 10, 1930.

ASSETS	March 31, 1930	April 30, 1930
Charge upon German agriculture in favour of the Rentenbank	2,000,000,000.00	2,000,000,000.00
Rentenbriefe as on 31.3.30 Rt.M. 899,844,000 as on 30.4.30 Rt.M. 899,844,000		
Loan to the Reich	521,827,264.90	520,545,539.35
Outstanding claim (Rentenbank-Kreditanstalt)	12,678,577.65	10,638,577.65
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	39,242,150.34	41,375,133.50
Real property of the Bank	300,000.00	300,000.00
Miscellaneous assets	2,616,014.04	2,532,424.59

	March 31, 1930	April 30, 1930
LIABILITIES		
Capital	2,000,000,000.00	2,000,000,000.00
Rentenbank notes in circulation:		
in public circulation	381,506,269.00	380,224,544.00
under earmark with the Reichsbank	70,082,498.00	70,082,498.00
Interest to be credited to the Reichsbank (§ 11 of the Law on the liquidation of Rentenbank notes)	70,082,498.29	70,082,498.29
Rentenbriefe in circulation	156,000.00	156,000.00
Reserve out of profits	47,280,891.82	47,280,891.82
Reserves	6,941,573.37	6,941,380.12
Miscellaneous liabilities	17,662.50	17,487.50

A further Rt.M. 1,281,725.55 representing interest paid by the owners of the mortgaged land were paid into the sinking fund with the Reichsbank, in conformity with § 7a of the Liquidation Law; the loan to the Reich and the circulation of rentenbank notes were reduced by a corresponding amount.

Since the coming into force of the Law on the Liquidation of Rentenbank Notes rentenbank notes in the following amounts have been redeemed:

Rt.M.	346,462,054.88	under	§ 7a of the Law
"	315,000,000.00	"	§ 7b " " "
"	88,074,904.06	"	§ 7c " " "
"	880,334,583.00	"	§ 11 " " "
Together	Rt.M.1,629,871,541.94		

Transl. 8163.